

FOURTH DAY

Friday 11 October 2019

DRAFT HANSARD

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FOURTH DAY

Friday 11 October 2019

The Speaker (**Mr Job Pomat**) took the Chair at 10 a.m.

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

Sitting suspended.

The Speaker, again took the Chair at 11.55 a.m., and invited the Member for Lufa, **Honourable Moriape Kavori** to say Prayers:

‘Good morning Papa God long Heaven, King of Kings and Lord of Lords on this beautiful morning. Tenkyu long dispela moning we yu bringim mipela kam bek gen long caucus na kam long session long dispela moning. Mipela laik toktok long lainim na luakautim pipol bilong yu long liklik taim. Blesim Spika long lidim dispela session na lukautim Praim Minista na olgeta Minista i go long Opision Lida tu. Yu blesim ol gutpela lida bilong kantri ol i ken debate na discus i go kam na question i go kam na yumi ken wanbel na lukaitim dispela kantri na pipol bilong yu long liklik taim. Tenkyu Papa God long harim prea bilong mipela na kam stap wantaim mipela long dispela hour long nem bilong yu mi prea, Amen.’

QUESTIONS

Spillage at Basamuk

Mr KOBBY BOMOREO – Thank you, Mr Speaker, I want to direct my question to the Minister for Environment, Conservation and Climate Change.

Just recently, we heard and read in the daily newspaper and social media about the spillage that occurred at Basamuk.

Mr Speaker, in one of my districts which shares the border with Madang Province, Rai Coast District, there were complaints raised that some of the marine lives have died. And this rapidly spread out to Bogia as well.

Mr Speaker, can the Minister explain to Parliament the problem that has occurred so that our people of Madang, part of Morobe and the country will know what cause of action will be taken to address the problem?

Mr GEOFFREY KAMA – Mr Speaker, I thank the Member for his important question. I have been waiting for a Member of Parliament to raise a question on this issue but no one has asked. But I thank the Member for asking this important question because it's an issue of national importance.

Mr Speaker, I cannot say much about anything that occurred outside of Basamuk Bay. What has happened was that the raw material that flows from KBK down; one of the set tank has been blocked therefore causing it to overflow. Actually 200 000 litres of raw material has flowed down and that's when the spillage went into the sea.

And the colour in the sea has surprised most of the people from the affected area and they even got scared and there was much talk about the spillage when it occurred. But right after the spillage, I instructed my officers to visit the site and investigate and they immediately went there and collected the samples of the spillage and sent it down to Brisbane for testing and they reported back to us.

02/04

We have asked another local to check and interpret the results of these findings and from these interpretations we can explain to the people. I am happy that the Member has asked this question. And I want to clarify to the people of Basamuk and Madang that the tests have shown that there are no major damage. It is only the change in the color and there are no major hazardous deposits.

I have the test results with me and I will present it in Parliament next week.

Mr Kevin Isifu -Point of Order! The Minister mentioned that according to the report there was no major damage done. This statement needs to be verified because there is evidence of death among the fish and other animals. This needs proper explanation and clarification.

Mr SPEAKER – The Point of Order is in order. The Minister must confirm all these before making a statement and later presenting the report.

Mr GEOFFREY KAMA – I am happy with his point of order but we have to really know the facts before we make any statements here. The investors in those areas have signed a contract with the Government of PNG. We have laws and we must be guided by these laws when making statements. We must not be under pressure and start making unnecessary emotional statements.

Mr Richard Masere – Point of Order! I understand the Minister is trying to explain but he is actually deviating from the real issue. We have reports of animals dying. How long are we going to wait? Are we going to wait for human deaths before we react? The Minister has the responsibility towards this nation and its people.

If he is unsure than there are a lot of things that we are unaware of so he needs to make a formal statement on this issue. And if there is already a threat than put a temporary suspension on the mine until a formal investigation is carried out.

So, we understand fully the implications of this spill. We must also understand that the spill will have detrimental effects into the future. Our children may be born with defects and so forth. The Minister must not evade the question but answer it in a professional manner and give this House and the people of Papua New Guinea an assurance that this Government is serious in addressing such matters caused by foreign companies.

We have to be hard on these companies because they will do the same to our companies in their country.

Mr GEOFFREY KAMA – Thank you, like I said, the tests were done to determine the presence of heavy metals in the sea and how safe the sea was. Quality and safety tests were done to determine whether environmental safety was breached.

In regards to the death of marine life and animals in the surrounding areas, the report is with the NEC which I will present it to the Parliament next week.

Supplementary Question

Spillage Report

Mr JAMES DONALD – We saw in the papers yesterday and my question is to the Provincial Government of Madang, in relation to the reports of the spill.

03/04

The report by the scientist states that there has been a lot of damage caused.

So, can the Minister tell us if he has received that Report from the Provincial Government so he can cross-check it. The report by the scientist is very serious but it seems CEPA has not promptly reacted to this issue.

Thank you.

Mr GEOFFREY KAMA – Thank you, Member for North Fly. I appreciate your question. The Madang Provincial Administration reported back to my office and we had a meeting and I told them that the tests have been done and completed.

I have the results but I will not announce the report until it goes through for NEC approval.

So, I have already met with them. Yes, the fish are dying but only the test will determine whether they are dying because of the slurry or from something else. While we are vocal about this issue and let us not forget the people of the Western Province. What if they start dying? Then we will all conclude that the waste caused their death without factual evidence. We must look at establishing our facts before we announce anything.

Thank you, Mr Speaker.

Atrocity in West Papua

Mr BELDEN NAMAHA – Thank you, Mr Speaker. My question is directed to the Prime Minister but I would like the Ministers for Foreign Affairs and Defence to take note.

Mr Speaker, my question is in relation to the issues of West Papua and our security concerns along the Indonesian and Papua New Guinea border, where my electorate is directly affected and also the electorates of Telefomin and North Fly.

Mr Speaker, before I ask my question, let me take this opportunity to highly commend the Honourable Mr Powes Parkop, Governor of NCD, Honourable Garry Juffa, Governor of Northern, and Honourable Peter Numu, Governor of Eastern Highlands who have taken to the streets to denounce the atrocities and the actions of the Indonesian Government in the way that they have been treating our Melanesian brothers and sisters in West Papua. I highly commend you all because you are true Melanesians and heroes of our country.

Mr Speaker, is the Prime Minister fully briefed on the extent of human rights abuses including torture, extra judicial killings and systematic police and military brutality in West Papua, a Melanesian Province of Indonesia sharing common political and geographical boundaries with Papua New Guinea?

Mr Speaker, we all understand the precautions of 1975 Treaty bestowed between the two countries on the status of West Papua as narrated by the Foreign Affairs Minister in the last Sitting of Parliament. The Minister maintained that West Papua issues were internal and ongoing issues of Indonesia, while the Prime Minister condemned the killings and arrests in West Papua.

Mr Speaker, the Foreign Affairs Minister also admitted to discussing the West Papua issues in Fiji and also at the Pacific Islands Forum in Tuvalu, this year. The Pacific Island Leaders have asked Indonesia to finalise timing of a visit by the United Nations High Commissioner to investigate the reports of Human Rights abuses by police and military in Indonesia before next year's Pacific Islands Forum.

Mr Speaker, can the Prime Minister inform this Parliament as to what position did Papua New Guinea take at the Forum?

Mr Speaker, the Government of Vanuatu gave the position at the Pacific Islands Forum to support West Papuans push for Independence.

04/04

While geographically PNG and West Papua share the same land or the same Island sharing common cultural and ethnic heritage, it is inevitable not to take an official position on the predicament of our Melanesian brothers and sisters in West Papua.

Mr Speaker, in 1975, we agreed not to interfere with the Indonesian sovereignty and its jurisdiction as recited well by the Foreign Affairs Minister in the last Sitting of Parliament. We are all well aware of their 260 million predominantly Muslim population with artilleries and military power that we may not match.

Mr Speaker, this does not mean we pretend not to hear our very own kind screaming for their rights in West Papua. Papua New Guinea heard them loud and clear and that is why our three governors went on the street to advocate for their plight. What is your government doing about West Papua's plight.

Mr Speaker, likewise the Australian Government is obliged by its 2006 *Lombok Treaty* which calls for both Australia and Indonesia to have mutual respect for their sovereignty,

territorial, integrity, national immunity and political independence and non-interference in the international affairs of one another.

Mr Speaker, when Solomon Islands endured a similar situation in early 2000, Australia, New Zealand and PNG signed a pact and sent armed forces to the Solomon Islands under the operation code named Regional Assistance Mission (RAMSI) to avert a major war and re-establish peace and normalcy on Solomon Islands.

Mr Speaker, also learning from the East Timor experience, more than 100,000 men, women and children were butchered before two former world leaders, US President Bill Clinton and Japanese Prime Minister, Keizo Obuchi, demanded a special meeting to discuss a multilateral response for East Timor crisis at the 1999 APEC Summit in New Zealand. Consequently, Mr Speaker, they forged a consciousness that became a pathway to peace and eventual sub determination and Independence for East Timor.

Mr Speaker, East Timor and RAMSI provide very clear experiences.

Mr SPEAKER – Honourable Leader of Opposition, what are your questions?

Mr BELDEN NAMAHA - Mr Speaker, I have already raised some of the questions and I am just leading towards other questions. This is very important.

Mr Speaker, I want to know what the Prime Minister has in his foreign policy for the people of West Papua.

Mr SPEAKER – Honourable Opposition Leader, please summarise and ask your questions.

Mr BELDEN NAMAHA - Mr Speaker, if I do not explain the Prime Minister will not understand.

Can the Prime Minister inform this Parliament what the Government is doing about the issues in West Papua?

Mr Speaker, Tami River in Wutung, Sandaun Province and Turasi in Western Province serve as the natural demarcation between Indonesian and Papua New Guinean Border. My electorate, Vanimo-Green, Telefomin and North Fly in Western Province provides the buffer zones of our people.

Mr Speaker, my people have been hearing planes flying over our boundary. If it is not serious, Mr Speaker, I want you to know that it is a very serious issue. The Indonesian military have made intrusions into our side of the border.

Mr Speaker, what is the Prime Minister doing about the safety of our people who are living along the border of Indonesia and Papua New Guinea?

05/04

I have not even witnessed beefing up of our troops along the border between Sundaun and Western Province.

Are we going to continue to allow our people to continue to live in fear, Mr Prime Minister? On the 9 January 2012, Mr Speaker, when I was then Deputy Prime Minister in the O'Neill Government, I threatened to expel the Indonesian Ambassador in PNG because of the fact that Indonesian war planes flew above our airspace.

Mr Bryan Kramer – Point of Order! If the good Opposition Leader can get to the point by asking the question on what is the issue on hand rather than talking about history, thank you.

Mr BELDEN NAMA – Mr Speaker, I want to inform the Member for Madang and Minister for Police to sit down and carry out his police duties diligently. If you don't have any idea of foreign policy issues than you can sit down and shut your mouth.

My questions are:

(1) Can the Prime Minister inform this Parliament on the status of the 1975 treaty between PNG and Indonesia?

PNG is already caught in the conflict between Indonesia and our Melanesian brothers and sisters of West Papua, by default.

(2) Can the Prime Minister inform this Parliament of what is his Government's foreign Policy on West Papua and human rights concerns in West Papua?

(3) Can the Prime Minister also inform this Parliament if he has advanced West Papua human rights issues at the United Nations, APEC or any Pacific Island Forums or any other global leadership forums? I have heard the Prime Minister only talk about what he dreams of doing in PNG and he has not even spelt out one single foreign policy.

(4) Can the Prime Minister inform this Parliament if his government has a policy on national border surveillance strategy and border demarcation plans including air, sea and land, which Mr Bryan Kramer has no knowledge of?

Mr SPEAKER – Honourable Opposition Leader, if you can address him as Honourable Member for Madang. It's not proper for you to mention his name.

Mr BELDEN NAMAH – Okay, the Member for Madang is still confused.

(5) Can the Prime Minister inform this Parliament on how prepared his government and we as a country are, in accepting influx of refugees and other spill over effects in the event that West Papua issue escalates?

(6) Finally, can the Prime Minister learn from the East Timor and RAMSI experience in Solomon Islands and use it as guidelines to seek help for West Papua from our traditional allies like Australia, New Zealand and America?

Mr JAMES MARAPE – Thank you, Mr Speaker, for giving me this opportunity to respond to the questions raised by the Leader of Opposition.

The questions asked are very important because it pertains to human life and we cannot deny the fact that an arbitrary border that was placed in 1963 or 1969, which separated groups of people that belong to one cognatic race, culture and identity.

But what has happened has happened, just like the border that cuts Niugini from Papua. These are facts that took place before our time and since then many circumstances happened including the events that passed our Melanesian brothers and sisters on the other side into what is now a sovereign State of Indonesia.

06/04

We can't ignore the fact that, they are families on the other side. Along the border provinces, there are traditional border crossers that still maintain ties these days. In the greater context, they are a family of Melanesian tribes. It not only covers Papua New Guinea but starts from Fiji and all the way deep into the Indonesian territory.

As we speak, there are over 13 million people of Melanesian decent in the entire nation of Indonesia. And most of them are found in the two provinces in the same island we are in, but there are 5-6 provinces that has people of Melanesian decent.

Mr Speaker, so our Government upon hearing issues of human rights on the other side of our border has maintained its concerns for these issues. We have sent and expressed our concerns to the Indonesian Ambassador and have conveyed on behalf of the Government and people of Papua New Guinea our expression of dissatisfaction regarding human rights abuse if unnecessarily caused is happening in West Papua.

As far as our responsibility to the greater international neighborhoods' is concerned, we have sent that consent through that proper diplomatic channel across the Palace in Jakarta and the Palace has heard our concerns.

The response that we received from Indonesia was that, the President is interfacing more with people in West Papua. In fact, he has made one known-trip since the incident has happened into West Papua to sit and engage with the people.

He is engaged with what is an equivalent of the council of chiefs on the other side. And they are having on-going discussions.

Mr Speaker, for the question in relation to our foreign policy; our government will not reinvent the wheel in as far as foreign policy is concerned. We will maintain the very good policy anchored in 1975 that we are 'Friends to all and enemies to none'. That is the generic foreign policy we have and is specific of our bi-laterals or multilateral relationships either politically or through business and trade.

We will tailor it as we go but in the general outlook our foreign policy stands as 'Friends to all, enemies to none'. Whatever happens on the Indonesian borders is a sovereign issue that belong to the sovereign state of Indonesia. As a neighboring nation we can only pass our view, share our advice. And I have conveyed in the first instance when matters of human rights arose. I have sent our concerns to the Palace and they have responded and we have interfaced with our counterparts in Australia and the region, especially in the last PIF that I attended.

There were concerns raised on the issues of human rights and a resolution was reached with concurrence and full knowledge of the Indonesian Government, that an independent body of investigators from the United Nations will go to Indonesia, particular West Papua and assess what is happening there, especially the reported killings and other incidents as reported in mainstream and social media.

As for the interventions we have made, for the interest of the Member for Vanimo- Green and the Leader of the Opposition, our contribution at the PIF was that the United Nations team

not only ascertain that violence and abuse are taking place but may they also look deeper into the root cause of what is happening if there is any underlying dynamics that is at play.

07/04

So, Mr Speaker, this is not a problem that has happened today and the Marape-Steven Government or any government of the day will respond. There were seven Prime Ministers before me and they have all had their outlook into this matter.

When I was six years old living in the hinterlands of Oksapmin, I shared nine months with some refugees who were camping there in 1976-77 and I am very conversant with this issue of refugees who cross from the other side into our borders. Let me announce to the world that if ever there is a refugee situation, we are Melanesians and we are prepared to burn our last toea to accept refugees into our country that is if they come, as Melanesians our hospitality remains even to our own costs. We will take care of them.

But, in the first instance, whatever happens on the other side of the border belongs to the Indonesian Government and it is their responsibility but we can only advice and we can only raise concerns from this side.

May, I remind Papua New Guineans who have concerns about what happens in the entire Melanesian territory, matters we raise in as far as sovereignty is concerned can also be matters raised within, we have our own domestic issues to worry about. My first and foremost priority is that the safety and welfare of the Independent State of Papua New Guinea, her people and our sovereignty and maintaining unity.

This Parliament and these leaders must be cognizant to the contemporary twenty-first century issues that face us as a nation which has its genesis from the way our nation's borders were defined by our colonial masters. For instance, when I go to the Autonomous Region of Bougainville there are still issues about the borders being put wrongly and that they are supposed to be part of Solomon Islands. As a nation, our first and foremost interest is to protect the sovereign state and the borders of Papua New Guinea.

So, I beg this Parliament and the country to think beyond and look into issues of greater context that is happening. We can talk about the current issue with the Referendum of Bougainville, matters of great significance are at stake and it is not just one issue that is at stake. These matters have been raised at my level from leaders to leaders with various leaders of the region for greater appreciation.

My government stands not to compromise the entire sovereignty of Papua New Guinea and if I am voicing this concern at every forum than every other nation leader should be voicing their concerns in every other forum they run into for the sovereign interest of their nation.

So, without diluting the importance of raising matters of human rights, our government will respect the Sovereign State of Indonesia. Forces are at play to work towards establishing lasting solutions to issues that are happening whether in Indonesia, domestically in our country or elsewhere. We must continue to encourage peaceful dialogue to take place and that is something that we are encouraging on this side. Peaceful dialogues to find lasting solutions to these issues.

I cannot pre-empt the dynamics at play below the surface or what exchanges that are taking place with this human rights issue. But whatever that is happening on the other side of the border belongs to Indonesia. We have expressed our view to the Indonesian Ambassador and we do not expect human rights abuses to take place on the other side.

08/04

We have expressed our view when I summoned the Indonesian Ambassador. I informed him that we do not expect human right violence and abuses to take place on the other side. They have heard us clearly. As I have said, matters of the sovereign state Indonesia will remain on their side.

In that meeting, I also made it absolutely clear that we expect no Indonesian soldiers to enter across into our territory, as few as we may be, we swill stand to defend our borders. In the event that it escalates into a refugee situation, we have embraced refugees before and we will do it one more time. Our government will stand to embrace refugees.

But at this point in time, let me announce that our foreign policy remains. We are 'Friends to all, enemies to none' and we respect the sovereign borders of Indonesia as it is and may the human rights issues that is happening be handled from a human right perspective.

We welcome the fresh intervention of the United Nations. The same way United Nations came into PNG in 2000 to start the process of referendum. This process is now starting on the other side. Let us not jump to conclusions, allow this process to take place and reach full maturity. Whatever happens, happens, it belongs to the future. We can only work

towards the future, but in the meantime, my first and foremost responsibility is to protect the sovereign state of Papua New Guinea and her people. Thank you very much, Mr Speaker.

Mr Belden Namah – Point of Order! Mr Speaker, whilst the Prime Minister’s words sound very juicy and sweet, he says that he will burn his last toea for the refugees.

Mr Speaker, why has there been no urgency or emergency situation on the border. You need to start thinking about beefing up troops on the border to anticipate the spill-over effects. There has never been any evidence. There are only 10 soldiers sitting at Wutung Border Post. Only last week, there was a shoot-out, there are planes flying over us, there are Indonesians soldiers crossing over our border, what are you doing? You should be burning your last toea beefing up proofs along the border to protect our citizens. Mr Speaker, thank you.

Mr JAMES MARAPE – Thank you, Mr Speaker. I am happy that the Member for Vanimo-Green and the Opposition Leader is very concerned. I had the privilege for serving Parliament for almost 13 years now. He has had the opportunity to ascend to the greater heights earlier than me. He was Deputy Prime Minister once and Acting Prime Minister on many occasions

Mr Belden Namah – Talk about facts, answer the question!

Mr JAMES MARAPE – I’m getting there, making a case in point through you, Mr Speaker. These issues have been there for a long-long time, he will appreciate the fact that traditional movements continue to take place.

Mr Belden Namah – I am talking about now.

Mr JAMES MARAPE – Retrospectively, when he was in in government and moving back before his time, the last major event that took place is the one I pointed to him; it is the one I have memory of. Up till this point in time, from the report I have been getting from the NIO, Defence and our Police, it does not warrant for us to upgrade our security threat to red alert. We are monitoring these issues very carefully.

I can understand the Member is asking from the context that he is also the Open-Member for those electorates. If people have moved across then we are there to be fed those information at the earliest. We have received no information from his office as Member for Vanimo-Green or from anyone. We are here to help each other as leaders of our country.

Mr Speaker, I can appreciate that he has a role to play as the Opposition leader on raising important issues that runs against or can be raised and seen as Opposition playing their role but I am just stating a case in point. We are not yet in red alert.

Matters happening in Indonesia remains in Indonesia. Within the context of our operations, whether it is Police or Defence, the operations along the borders remains as it is and if there is a need for us to step up, we will do so.

09/04

As I said earlier, first and for most is the safety of our people. When we step up those operations and if people come on this side, of course we will protect and take care of them by feeding them with kaukau, sago or rice as we have done before in the 1970s.

At the moment as I speak, there are no refugees coming across into Vanimo Green, Telefomin, North Fly or Middle Fly. We are monitoring this situation very well.

So, Mr Speaker, I ask the Opposition Leader to speak in the context of the rate of event that is taking place on the other side instead of hyping something up. This is a sensitive issue at play at the moment at the border. His entertaining those traditional crossers, there is not one refugee as yet who has crossed over to our side to date.

Mr Belden Namah – We are talking about the safety of our people.

Mr JAMES MARAPE - Mr Speaker that is my response to the Opposition Leader. We are keeping our watch over what is happening to the other side very carefully. And as I said, if the situation warrants for it to be given extra care than we will put police and defence personnel on the first flight into our border provinces.

Compensation Hinders Road Projects

Mr MEHARRA KIPEFA – Thank you, Mr Speaker. I want to direct my question to the Minister for Works and Implementation and I want the Prime Minister to take note.

Whilst the Government of the day is focusing on agriculture, one of the very important things that link up the agriculture is the road infrastructure, we cannot achieve agriculture without the road.

I understand we have launched the national strategy of the works for the next 10 years, and there is one underlying thing that will continue to impinge the growth of infrastructure development especially roads and that is none other than compensation.

I want to ask the Minister on how effective the 40-metre corridor roads will be from the economic perspective.

What are the plans that the Department of Works has to implement that 40 metre corridor?

We are experiencing it at the district level where our district Works team going into constructing or rehabilitating roads have a problem with removing coffee trees, bananas and houses to expand roads.

How do we resolve this because it's an internal issue with our people in regards to compensation?

One suggestion is that if the Department of Works can liaise with the PNG Defence Force engineering battalion and make available officers to assist the district works in building all the roads within our districts. Whilst building roads and if the law and order issues arise then they can assist in that area as well.

So the law and order and the road system network is very vital for every other government services to penetrate through the rural areas.

10/04

Sell Unused Bailey Bridges to Districts

(2) While we are moving in and out of Lae and looking at the Works yard there are some compact 200 Bailey Bridges sitting there, rusting away.

If they want to sell it, please sell it to us so that we can be able to buy bridges for our rural roads. Thank you very much.

**SUSPENSION OF STANDING ORDERS –
EXTENDED TIME FOR QUESTIONS**

Motion (by **Mr Walter Schnaubelt**) agreed to –

That so much of the *Standing Orders* be suspended as would prevent the time for Questions this day being extended by 20 minutes.

Mr MICHAEL NALI – Thank you, Mr Speaker. I thank the good Member for Obura-Wonenara for asking a good question.

On the 40-meter corridor road construction, that is standard and information that all the people in the country should know because it is being asked all the time. So, from the center of a particular road 20-meters each way, government is aware that as soon as a road is constructed, the state takes ownership of this 40-meter corridor road.

Whatever improvements that occur in this corridor, whatever plants, cash crops or special trees grown by our ancestors or our parents or ourselves, when it comes to road constructions, the Department used to look at it and pay a little compensation.

But, regarding the land, the law is clear that all the ground in the country when the government wants to develop a place for the interest of all the Papua New Guineans, then the State has all the rights to get the land.

So, at the moment, like some of the existing roads, I can choose Highlands-Highway as an example. When we do this rehabilitation, most of our people build their house, small tucker-box stores, plant some coffee trees, rain trees, bamboos, pandanus trees and many other plants, Department officers used to go together with consultants to negotiate and on good behavior, we used to pay some little compensation for the land and plants.

While at the same time in some other parts the country some people never mind about getting compensation. They allow for the contractor to build a road at their will because they say that they need the road and they don't want compensation.

I have evidence where some people in the country with good understanding do allow for the contractors and Department of Works to build a road without asking for compensation so I appreciate people with such understanding.

11/04

Mr Speaker, on the issue of using the Defence Force especially in the Highlands where claims of compensation are numerous making it difficult for the contractors to go in, so we have engaged the Defence Force especially the Engineering Battalion from Igam Barracks.

Mr Speaker, on the issue of the bridges. As I speak we do not have many bridges but when bridges come in, I want to tell the honourable Member that you do not need to purchase bridges from the Department of Works. These bridges that are coming in, are what the Government has purchased for our people.\

At the moment we have one supplier, United Pacific Bridging which have been supplying us bridges for more than 20 years and they have given us a good deal for 72 by 45 metre bridges. The understanding is that by 2019 the Government can pay the first instalment and the 72 bridges can be delivered and if we can pay them off within five years, they will not charge us interest.

All honourable members know how much we need bridges in our electorates so as soon as the bridges start arriving at the main distribution point in Lae, you can let us know and we can arrange for your bridges to be taken to your electorates.

Thank you, Mr Speaker.

Supplementary Question

Mendi-Tari Roads

Mr Manasseh Makiba – My question is directed to the Minister for Works and it is regarding a section of the Highlands Highway which starts from Mendi all the way to Nipa, Magarima, Tari, Komo, Koroba and Kopiago. This section is part of the national highway. Minister you know which section I am referring to as this is our highway.

I recently was in my electorate and I noticed that small roads like from Kandep to Mendi, Mendi to Tambul, Nipa to Munihu are being sealed but my people have raised their concern why the section of the Major Highlands Highway from Mendi, Tari, Koroba, Kopiago, Komo and Kutubu which supports the country's economy, where gas and oil have flowed since in the 80's and 90's is not sealed. The people are frustrated over this and it might even lead to the point where they will stop the project from operating.

So, my questions are:

(1) Does his department have a plan to seal this national highway? It is only 150 kilometres long.

(2) Has the department issued a tender? If yes, which company is working on this section of the road?

12/04

Mr MICHAEL NALI – Thank you, Mr Speaker. I would like to thank the Member for Komo-Magarima for his questions.

Mr Speaker, it is true that under the ADB Program, we did seal the road from Nadzab up to Kagamuga. We also upgraded the road from Kagamuga up to Keltiga. And from Keltiga to the road junction going to Enga and on the other side going to Southern Highlands and Hela. We see that the work is in progress. From Togoba to Kagul river, there are some areas where it is damaged but most of it is in good condition. But from Kagul river going up to the District Headquarters of Imbonggu in Walume, that area is damaged. Then from Angula river to Kiburu in Mendi, the road is in good condition but some of the sections are bad. From Kiburu to River Lai, the road is sealed, but from Lai River going all the way to Nipa, Komo-Magarima and to Tari, it is not sealed.

In Tari town, some parts of the sections are sealed and most of the sections of the road are not sealed yet. From Alimbu's road junction road going to Nokoli heights then to Komo-Magarima and the road going back to Koroba to Lake Kopiago and from Alimbu to Koroba-Lake Kopiago, the road is not yet sealed but from Alimbu to Nokoli then to Komo, there is a road sealing program in place under the Tax Credit Scheme and Exxon Mobil is using that Tax Credit Money.

Mr Speaker, the road from Poroma to Kutubu although the gas field and oil drilling has generated a lot of income for the country, the roads from that area are not in good condition.

Mr Speaker, despite knowing very well that we are running short of funds in the budget, the Department took the initiative to call on board Oil Search and Exxon Mobil. The two developers are prepared to put money under the Tax Credit Scheme to seal the roads from Wara Kagul to Tari, Koroba and all the way to Kopiago.

They have money, but as a government we need to make amendments on tax credit from 0.75 to 2 per cent. The Government has already given instructions to the Chief Secretary, to make sure that the amendment is brought into Parliament. I hope that we make that amendment in the November Parliament Sitting so that tax credit funds can kick in.

Mr Speaker, having said that, ADB has shown interest to help us seal those roads. The two Provincial Governments are also prepared to put some of their internal revenue into funding certain sections of the road. National Government is also prepared so it will be like a multiple package put together to do up these roads. When you have different people coming in and funding these big projects, they have their own conditions to operate.

13/04

At the moment, we are managing that and I have already instructed the Secretary for Works to put that particular road on tender.

The way to do this road is to give the contract to a major contractor who will supervise to make sure that these roads are built properly. And in-between that, the small local companies can come in and do sub-contract work but supervision must be of the highest standards.

So, to answer the Member's question, in a week or two a tender will be issued for the construction of this road.

Mr Speaker, in conclusion, I would also like to say that the programs like the United Pacific Bridging, allocated 72 bridges which are to be paid back without interest over five-year period. So I think it's a good approach.

So, for those roads, we've got other companies who felt that they can use their own money to build the roads and ask the government to pay them over time. These are some ways we can look at to build those roads.

But, Honorable, Member for Komo-Margarima, I will call for tender even without money because we have to start somewhere. We are aware that oil, gas, gold and even fish from Manus is for all of us. The trees are also for us all but for Southern Highlands and Hela, we are living as people without oil and gas resources. We are driving on roads like dry river beds, jumping up and down like those on adventure trucks with big tyres.

We've had enough of it. Thank you, Mr Speaker.

Supplementary Question

Seal Madang Town Roads

Mr Peter Yama – I am proud of the Minister for Works for the good work he has done. Our country doesn't have money and he is struggling very hard to build more infrastructures all over Madang. Thank you for building a big road and sealing it in Madang. I thank the former Prime Minister, Honorable Member for Ialibu-Pangia for strengthening the center road for Madang and for cementing it.

I have been to various parts of Papua New Guinea and noticed that there were sealed roads everywhere especially the towns, even in Wabag town for Sir Peter Ipatas. I saw that

their roads were all sealed in their towns. In Mt Hagen and Goroka, I saw that their roads were sealed and none of their roads had potholes.

But, when I came to beautiful Madang, whether the Member for Madang is aware or not but, Mr Speaker, I am saddened at the road conditions in beautiful Madang as it is filled with potholes. We must seal the roads in towns before we talk about the highways or other feeder roads. Madang town has many potholes and when you want to drive to the airport and to school, the Member is aware, it takes almost an hour's drive from Newtown to drop off students.

When are you going to complete half of the work you have left incomplete? Now, whether you have money or not, a tender will be put out for Komo-Margarima. Can you include beautiful Madang in this tender so that the roads can be sealed too please?

Mr MICHAEL NALI – Thank you, Mr Speaker, for the good supplementary question from the Governor of Madang. Mr Speaker, Madang, as we are all aware, it has its own name 'beautiful Madang'.

But, Mr Speaker, now when you go to Madang like the Governor has mentioned, the roads inside Madang town are deteriorating.

14/04

It is not true, not all roads within our towns in Papua New Guinea are in good condition. If you go to East New Britain, the road from Tokua coming to Kokopo and back to Rabaul, are deteriorating.

But Mr Speaker, on a bigger scale; yes, we have programs to upgrade every town road and we are doing it slowly, with or without money and regardless of the amount of money we have.

Mr Speaker, there is no secret to that, right now as I speak, I have 285 contracts on foot. I need approximately K500 million to make all outstanding payments for contractors in the country.

Last year, the Department was given some money but the department didn't write the cheque. The cheques were written out from Finance Department so I did not get all the money to pay some of the outstanding.

Mr Speaker, I am now receiving good support from the Marape-Steven government and I will start to repay some of the outstanding.

While at the same time, Mr Speaker, at the way we are going, I am confident that there is a possibility that some funds will come to the Department. I see that the government is giving priority to infrastructure despite the limited funds. All the roads in the country are very important and we cannot say that one road is more important than the other.

But Mr Speaker, it is important that whatever little money we have, we must make sure that we upgrade the most prioritized roads where economic activities are occurring so that business houses are in operation so they don't suffer.

In Madang, Mr Speaker, the Governor of Madang knows that the Department of Works is doing a huge job in town.

Mr Peter Yama – Point of order! I respect the Member for Mendi he knows that I am the former Minister for Works so he is trying to raise those points. I am comfortable with it and I accept that.

My discussion is directly on the point but because you raised the point about our county's economic issue, I now feel the need to highlight that Ramu Nickle is also a multi-billion kina project in Papua New Guinea like the Oil and Gas projects in Southern Highlands.

If you see my roads in Rai Coast and Madang, I have nine bridges and we use four-wheel drives so we can not compare economic issues here. We also have economic issues in Madang.

My issue or discussion is that you have already started the job by sealing only one portion of the road while the rest remains unsealed. So, what are you going to do? It's an eyesore in the public eye and I am ashamed of it, unlike the Member for Madang.

Mr Bryan Krammer – Point of order! Mr Speaker, please warn the Governor of Madang to speak directly on the point of order. He seems hurt and is constantly mentioning my name.

Thank you.

Mr SPEAKER – Honorable Minister Please answer the question directly. He wants to know whether you will include the Madang roads in the tender.

Mr MICHEAL NALI – Mr Speaker, putting the Madang roads on tender is not an impossible task. The country must know that the Department of Works has not forgotten Madang. We are resealing all the roads in Madang with concrete and the Governor is talking about other roads which we have not replaced yet.

15/04

We have removed the asphalt and replaced it with cement. The Governor is talking about other roads in Madang Town. I would like to reassure the Governor that we are already working on the Madang roads. I don't think this Government has neglected the state of the roads in his province. The Governor knows the contractor who is working on those roads and we just approved six bridges for Madang to be constructed under the EIB Program.

Mr Speaker, well there you go, what else can I tell him? The Government is already working on his roads and as we speak the road works are in progress.

Mr Speaker, to answer his question in brief, the roadworks are in progress and there will be no need for any tender.

MOTION BY LEAVE

Mr RAINBO PAITA (Finchhafen – Minister for Communication and Energy) – I seek leave of the 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 from presenting the Supplementary Appropriation Bill 2019 and Papua New Guinea Fiscal Responsibility (2019 Supplementary Budget) (Amendment) Bill 2019 forthwith.

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

Mr SPEAKER – Honourable Members, I have to inform Parliament that the Permanent Parliamentary Committee on Broadcasting of Parliamentary Proceedings met today and resolved that:

(a) *National Broadcasting Corporation (NBC)* television and radio will be allowed to telecast and broadcast live, and

(b) *EMTV* and *TVWAN* will also be allowed to telecast live, *the 2019 Supplementary Budget* by the Minister for Treasury.

SUPPLEMENTARY APPROPRIATION BILL 2019

First Reading

Bill presented by **Mr Ian Ling-Stuckey** and read a first time.

Second Reading

Mr IAN LING-STUCKEY (Kavieng -Minister for Treasury) – I move –

That the Bill be now read a second time.

Leave granted.

Mr Speaker, it's a privilege for me and my people of Kavieng to stand here as the Minister for Treasury in the Marape-Steven Government to address this honourable House.

Mr Speaker, when I took over the role, I recognised the huge responsibilities of the position given the budget and economic challenges facing the country and the desperate need for charting a new path forward.

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Objectives and priorities as Treasurer

Through my discussions with our Prime Minister, it was clear he had high expectations about taking back PNG by dramatically lifting our country's economic and development performance to ensure none of our children are left behind.

Mr Speaker, as Treasurer, I see my role as one that translates the Prime Minister's vision into a development road map built on a realistic financing plan and not just a Port Moresby-centered development at the expense of the greater PNG.

I saw first-hand in Opposition, the fake news sprouted by former PM O'Neill about the strength of the budget and the economy despite our country's annual debt interest bill increasing over fourfold, our public service wages bill growing out of control to squeeze our health and education budgets. It's no secret the incomes and standard of living of our people have been declining, yet the former PM O'Neill continued to deny them the right to know the truth about the real state of the economy.

Mr Speaker, the time for lying, pretending and denying our people the right to know the truth about the state of the economy of their country is over. Under the leadership of Prime Minister Marape, this government is embarking on a new ethic of honest and responsible government.

Mr Speaker, the Prime Minister has rallied us all to take back our country from the road to self-destruction and on to a path of sustainable and inclusive growth where no child is left behind.

This task cannot be accomplished if we continue with the culture of ongoing denial that all is good and we can continue to live beyond our means. This careless mindset must change and we must be truthful to ourselves and to our people who gave us the mandate to be sitting in this honourable House. We are doing this through the Supplementary Budget.

This change must begin with me, the custodian of our money plan and the financial purse. I am asking all of you in this honourable House to join me in supporting our Prime Minister to rescue our beloved country.

Mr Speaker, our people are resilient and our country has endless potential and it is up to us leaders to lead the way in realising this potential.

My experience as a business person has taught me practical ways to translate potential into reality through credible policies. I have only been Treasurer for 45 days but I have started setting out new approaches to get PNG working and growing again, to make PNG a favoured destination for local and international investment and ultimately to make PNG a fairer country again.

The first step is to get the foundational building blocks correct, the 2019 Supplementary Budget. This demands nothing less than truthfulness in making correct decisions.

17/04

This demands nothing less than truthfulness in making correct decisions about how we can rebuild that which we have allowed to be broken.

Our critics say we are leaking state secrets but I say, we are practicing transparency and good governance, and that will continue giving our people information; the truth that has empowering impact.

Mr Speaker, I want to assure this House and the people of PNG that the budget figures I released on the state of the economy is the truth. It is information mandated to us as leaders. A government budget is a public document. Therefore, our people deserve and have every right to have access to the truth.

Our people deserve to know the reasons behind why they have been suffering and why is it necessary for hard decisions and adjustments to be made in the Supplementary Budget and in the 2020 Budget and beyond. Some of these decisions are likely to be painful. But I want to assure the people of Papua New Guinea, that these decisions are essential to take back PNG's budget, to take back PNG's economy, otherwise we will condemn our country's future to inheriting our problems.

Understanding the problem

Mr Speaker, let me start by explaining how we got to the 2019 Supplementary Budget. One of my key philosophy's as a businessperson, is to always first establish the correct figures to make informed decisions. This is a fundamental first step. Only with the correct figures, can we make the right decisions about the solutions required. This is no different to a medical doctor trying to understand why someone is sick - first is to diagnose the illness before prescribing the treatment. I have applied the same mindset as Treasurer.

Immediately after I was confirmed, I assembled a rapid 'due diligence' exercise of the Government's budget. This was run by Papua New Guineans with officers from Treasury, other economic departments, my economic team led by recognised PNG academics and senior advisers even to the Prime Minister, to provide a new independent view of our budget position. This was tough work and ruffled a few feathers but was an important first step.

Unfortunately, but not unexpectedly, the due diligence check found an increasingly fragile Budget compared to the 2019 MYEFO. My colleagues understandably wanted another perspective, to confirm the due diligence outcomes, which the International Monetary Fund subsequently verified.

Mr Speaker, if the Budget was a patient there are clear signs and symptoms of the illness that demonstrate the due diligence results. Governor's Wingti and Sir Ipatas, both told me the cash flow challenges in recent years, has forced them to cancel or delay vital development projects, despite being included in the budget, including many other governors and indeed many other open members.

18/04

Wasteful spending, unrealistic revenue predictions, the out-of-control Wages Bill, have also squeezed out funding for infrastructure, health, education and agriculture.

Taking the medicine: Living within our means

Mr Speaker, having undertaken an initial diagnosis of the scale of the budgetary problems – the next step for any medical professional is finding the right treatment. The 2019 Supplementary Budget, is the first step in prescribing the right treatment for the budget and the economy. Let me step through the main changes:

There was K1.874 billion increase to government expenditure: an additional K865.5 million increase to personnel emoluments, which highlights the government's continued inability to control for personnel emoluments that has been occurring for years.

An additional K821 million to cover government arrears. Failure to pay these bills by the government ultimately hurts the private sector, the budget and the economy. I am particularly concerned about the many small to medium enterprises, which many citizens rely on for employment and disposable income. I appreciate that paying these costs will worsen the budget today, but it's important that we pay these bills to help the private sector to inject funding directly to businesses in PNG and strengthen the Government's reputation domestically and internationally.

Three hundred million kina of the public works arrears will be deferred until next year to allow my officials to establish a comprehensive vetting process with the Department of Works, where most of the arrears come from. This is to ensure only genuine and valid

invoices are paid, but other forms of deferred expenditure are picked up such as delayed payments for infrastructure in Bougainville and increased disaster relief funding.

An additional K122.4 million to cover increased interest payments highlights how much debt accumulated under the O'Neill regime is expensive. This increases the need to find cheap good debt to reduce interest costs.

An additional K74.8 million for goods and services. The unrealistic estimates of government consumption need to be revisited to avoid continual unexpected increases.

If we were to accept these expenditure hikes, then the budget deficit would balloon out to K4, 636 million. An extraordinary K515 for every person in PNG, and over a billion kina worse than the previous worst budget deficit in our history.

The easy decision is to accept the full deficit, simply pretend our country could afford its implications, and put all the blame on the former Prime Minister Peter O'Neill. But the Prime Minister and I recognise the importance of making the hard decisions now to start the urgent job of budget repair. That's why in this supplementary budget, we have made nearly K1.5

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That's why in this Supplementary Budget, we have made nearly K1.5 billion expenditure cuts to lower the deficit to K3,504 million. This starts the tough process of bringing the budget under control and avoids the country having to incur its largest ever deficit and limits the impact on domestic and international confidence on the budget.

These cuts will be shared equitably across the budget:

- A K286 million cut to the Service Improvement Program and K795 million cut from the Public Investment Program for a total cut to capital investment of K1, 082 million. The NEC avoided cuts to the health and education sectors as much as possible with only 13 per cent of cuts in these sectors.

- A K400 million cut from the operating budget – most of these cuts will come from administration and other sectors of the budgets to avoid cuts to education and health.

Mr Speaker, let me be clear – these are massive cuts. There will be significant economic pain for many of our people. The decision to cut this hard is a tough decision but one which we do not have any other choice and that is right for PNG's current economic crisis. The economic hole is so deep that the solution was never possible in 100 days – it will not take months, it will take years of hard work. So a tough decision is a must now, to take a

major step towards living within our means.

Mr Speaker, these steps won't solve our economic problems but demonstrate that with stronger budget management, we can better direct funding to help the people of Papua New Guinea.

Financing of the 2019 Budget

Even after nearly K1.5 billion of expenditure cuts, we still need to finance the budget deficit, which is nearly double the 2019 Budget deficit. The extra financing required is K1, 557 million. We cannot rely on project financing as suggested by the Opposition because it cannot finance our deficit. But we'll continue to use the ADB and World Bank budget support loans started by the former government. We will seek out other budget support assistance, from other countries so as long as these are on the right terms.

We are negotiating with Australia and expect to announce the outcome of these negotiations around the time of the 2020 Budget. We will also use the domestic market to fund the remainder of this year's deficit. Our financing plan will be in next month's 2020 Budget.

Outlook and next steps

Mr Speaker, building from the budget platform in the Supplementary Budget, we will look ahead to 2020 and the years ahead.

The Prime Minister announced on the 40th Independence anniversary, his 10 Point manifesto. This vision sets the broad framework for the development strategy going forward. Building on today's corrected budget framework, we are now recalibrating the rescue and reconstruction strategy, to set a more realistic and responsible fiscal path for the way forward.

20/04

I want to make clear, the budget position is far from guaranteed. In recent days, there's been concerns our revenues will be revised down even further. This increases the importance of having control over the budget to create buffers against these risks. Next month's 2020 Budget will provide a comprehensive update on the latest budgetary performance and outlook for the rest of the year.

Like any long-term illness, the budget will require on-going and long-term treatments to fully overcome its sickness. Some of these treatments will be included in the 2020 Budget, but we will need to continue these treatments in the 2021 Budget and beyond. Only through

sustained reform efforts, will we expect to escape the economic hole dug by former Prime Minister, Peter O'Neill.

Conclusion

Mr Speaker, I appreciate the Supplementary Budget may come as a shock to you given the former PM O'Neill's efforts to hide the true state of the budget. Under Prime Minister Marape, we now have the clear air to undertake the necessary actions and policies, to sustain the reforms required to bring credibility and confidence back to the budget for the people of Papua New Guinea.

Finally, I thank all of you, my colleagues both in Government and even in the Opposition benches for appreciating the problems we are currently facing and for looking beyond petty politics to support the prescriptions put forward, to restore the hope of our people, in our government and our country.

Mr Speaker, and Honourable Members, it is with great sense of responsibility I commend the 2019 Supplementary Budget to the House.

Mr JOSEPH LELANG (Kandrian Gloucester – Shadow Treasurer) – I thank you, Mr Speaker, for giving the Opposition the opportunity to comment on the 2019 Supplementary Budget. I also congratulate the Treasurer, the Honourable Ian Ling Stuckey for tabling his first Budget in his new role as the Treasurer.

Mr Speaker, frankly, there are a lot of things wrong in this Supplementary Budget.

Firstly, this is the first time in PNG's history for a Treasurer to present a Supplementary Budget that is not based on the *Mid-Year Economic and Fiscal Outlook Report* that is published by the Department of Treasury each year. No matter what type of technique or justification is being deployed by the Treasurer, in all sense of law, the 2019 Supplementary Budget is based on set of figures which do not come out from the *Mid-Year Economic and Fiscal Outlook Report*.

Mr Speaker, on *Section 9* of the *Fiscal Responsibility Act*, that I quote 'the treasurer shall release publically and table an *Mid-Year Economic and Fiscal Outlook Report* by July of each year or within six months after the Budget has been passed on'.

This means the Treasurer is compelled by law, in fact it is mandatory to recognise the *MYEFO Report* because that is his report and to use that as the basis for the Supplementary Budget and not for the Treasurer to use figures cooked by an illegal group not supported by law.

21/04

In addition, Mr Speaker, *section 11, sub-section (b)* of the *Fiscal Responsibility Act*, further states and I quote, ‘A *Media Economic and Fiscal Outlook Report* is to contain a discussion of revisions to the fiscal parameters and the implications for the Budget strategy and the Medium Term Fiscal Strategy’.

In this instance, the *MYEFO Report* has been revised and we know that there is a Budget blow-out of K506 million and a revised Budget deficit of K2.3 billion.

But the 2019 Supplementary Budget is not based on the actual performance of the Budget for the first half of the year as published in the *MYEFO Report*.

Therefore, Mr Speaker, by law, the 2019 Supplementary Budget must be based on *MYEFO Report*. There is no room for discretion. This brings me to the first point, being that the figures used to frame the 2019 Supplementary Budget is taken outside the *MYEFO Report*. Any expenditure outside the *MYEFO Report* can be included in 2020 National Budget. That is where the government based on its policies can have the discretion, not the Supplementary Budget

Mr Speaker, it is very bad precedence in this country where the Treasurer can cook up figures somewhere and bring to this honourable House to approve as part of the Supplementary Budget. We already seen this happening with the 2019 Supplementary Budget. I therefore call up on this honourable House not to approve this Supplementary Budget. I also called on this honourable House to demonstrate to the people of Papua New Guinea, that we are a law abiding the Parliament. Let us not be remembered in PNG’s history for having approved a Supplementary Budget the basis for which was, is and will always be illegal.

Mr Speaker, as we’ve seen in the recent media releases, the Treasurer has been informing the public of the cuts he intends to do to bring the 2019 Budget back on track. We have also seen from his speeches today where he highlighted those cuts. But again, we find that he has been misleading this Nation and the Honourable House.

The 2019 Supplementary Budget has a very large deficit of K3, 504 million and it’s caused by a downward revision of the revenue figures by more than a billion kina and an increase in expenditure of K392.6 million compared to the 2019 Budget.

Mr Speaker, there is no cut in the Supplementary Budget. The Treasurer has increased the 2019 Budget of K16, 134 million to K16, 526 million. In fact, there is a net increase of K392.6 million.

So really, Mr Speaker, there is no cut only a re-appropriation of expenditure of K1, 132 million and additional increase in expenditure of K392.6 million, so where are other cuts?

The bottom line is that the Treasurer has actually increase the expenditure in the 2019 Supplementary Budget.

On the other hand, the Treasurer has cut the capital expenditure totally of more than K1 billion including the DSIP and PISP of K286 million and has re-appropriated this money to the Budget blow-out on the re-current side of the Budget, particular in wages of K856.5 million kina, an interest payment K122.4 million and arrears of K821 million in goods and services and others.

22/04

It is shameful, Mr Speaker, that we cut vital services to our people, including DSIP and PSIP and use those to fund blowouts in the re-current budget.

Mr Speaker, with due respect to the Prime Minister, cutting of DSIP and PSIP is political suicide. What would be more important, Mr Speaker, that we have to cut funding that are earmarked for rural development where the majority of our population live. These and funding for vital services should have been protected at all times.

Mr Speaker, these expenditure blowouts we are seeing in the re-current budget have been increasing for a long time and yet those ministers responsible and their departments have failed to address them.

Mr Speaker, it is important, if not critical that we start dealing with those legacy issues. The Treasurer must tell us which agencies are responsible for these large expenditure increases and they must put measures in place to address them. The Marape- Steven Government must not sit back and allow the expenditure to blowout across the public sector unchecked.

Mr Speaker, on a specific note, we would like to recommend the setting up of a special parliamentary committee to look into the expenditure blowouts in personnel emoluments because this has now become an issue of national concern.

Mr Speaker, the way we on the Opposition side see it, the 2019 Supplementary Budget does not serve the interest of PNG, particularly with more than a billion kina cuts to the capital budget.

This week and even today, we hear many governors have raised the concern about the lack of funds being made available to them to effectively manage their development priorities in their provinces.

It is also common knowledge that the delivery of basic services to our people have suffered as a result of cash flow problems.

The Minister for Works has just mentioned that there is a K500 million contract still outstanding to be repaid by this Government. He does not have any money to fix all the roads in the country, nor does the Minister for Health, the Minister for Education, the Minister for Police and in fact, Mr Speaker, all the Cabinet Ministers are frustrated in being unable to implement their sectoral plans in the provinces and the districts of Papua New Guinea.

The Treasurer has now worsened the situation by further cutting every vital service to our people living in the provinces, in the districts and in our local level governments.

Mr Speaker, it is obvious from the direction of the 2019 Supplementary Budget that under the Marape-Steven Government, our people in the provinces, districts and the local level governments will continue to suffer much hardships.

Mr Speaker, we have read the Treasurer's continual accusations of the previous government's mismanagement of the budgets over the last eight years. Our view however differs, Mr Speaker, the problem we see is that, the pursuit of continuous expansionary fiscal policy over the last eight years has contributed to the huge budget hole that he has eloquently and continuously described.

The pursuit of an expansionary fiscal policy, Mr Speaker, to stimulate the economy over and indefinite period can become unsustainable. Therefore, for us to take back PNG, we must break from the past and take a more affordable and sustainable development path into the medium term.

Mr Speaker, on this side of the House, as we see it, there is no cut in the 2019 Supplementary Budget, but rather the Marape-Steven Government is continuing the same expansionary fiscal policy that has been practiced over the last eight years.

23/04

Expenditure has increased by K392.6 million in the Supplementary Budget over the 2019 Budget.

Mr Speaker, the Treasurer now stands accused of practicing and facilitating the further widening and depending on the huge budget hole with the budget deficit of K3, 504 million and increased borrowing equivalent to over 40 per cent of debt to GDP ratio.

We are very disappointed Mr Speaker, that the 2019 Supplementary Budget contains no deviation from the harmful policies of the last eight years.

The 2019 Budget deficit of K3, 504 million represents to us that the Marape-Steven Government has lost total control in managing our public finances, the management of our cash flow and continues to peruse expansionary fiscal policy with more borrowing.

The Marape-Steven Government is supposed to take back PNG from these unsustainable policies of the past. But, from what we can see today in this 2019 Supplementary Budget is that we may not realize this political dream after all.

Mr Speaker, one of the things we are disappointed about is that the fiscal rules we have set for ourselves are important to ensure that the borrowing does not compromise our capacity as a nation to meet our current and future debt service obligations in full without re-cost to debt rescheduling or the accumulation of arrears.

PNG's sovereign debt is increasing at an alarming rate, Mr Speaker and the Marape-Steven Government's 2019 Supplementary Budget deficit of K3, 504 million will give further rise to the debt stock.

Prior to the 2019 Supplementary Budget, the country's total debt, Government debt was around K28 billion or 31 per cent of GDP but is now forecast to reach a record high with its current budget deficit, taking into account also the publicly guarantees for registered that finance projects by the state-owned enterprises.

Mr Speaker, we are concerned about the fiscal health of this country. We are also concerned that the combined liability poses significant risk to the PNG economy, running a large budget deficit requires significant borrowing.

Mr Speaker, the easing of monetary policy announced by the Bank of PNG last week is to push growth through private sector credit should have been a clear signal to the Marape-Steven Government to ease back on running large budget deficits and give room to the private sector to grow. By limiting the budget deficit we will be creating an enabling environment to support our private sector investments.

We in the Opposition call on the Government to minimize budget deficits, control public debt and improve debt transparency particularly on state-owned enterprise borrowings.

We strongly have the Marape-Steven Government to establish whether the state-owned enterprises have the balance sheets and capacity to repay the loans they are taking including scrutiny on those loans in terms, conditions and structure.

To conclude, Mr Speaker, it is a mandatory requirement of the *Fiscal Responsibility Act* that the Treasurer discusses the revisions of the fiscal parameters resulting from the July 2019 *MYEFO Report* and introduce the 2019 Supplementary Budget to correct this accordingly.

The fact that figures totaling more than K1 billion in the 2019 Supplementary Budget do not come from *MYEFO Report*, puts into question the legality of the 2019 Supplementary Budget.

Mr Speaker, the Marape-Steven Government has a responsibility to the citizens of this country and must at all times protect them from the economic hard times cutting off funding for essential services including DSIP and PSIP represent a blatant disregard to the welfare of the majority of our people.

24/04

The continuous pursuit of expansionary fiscal policy has proven to be unsustainable and is responsible for the Government cash flow problems that we are now facing and contributes to the economic challenges we face today.

To take back PNG, the onus is now placed squarely on the Marape-Steven Government to urgently consolidate the Government's fiscal books.

Thank you.

MOTION BY LEAVE

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

Leave granted.

SUSPENSION OF STANDING ORDERS – ALTERATION OF HOUR OF SITTING

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

That so much of the *Standing Orders* be suspended as would prevent:

- a) Parliament Sitting beyond 1 p. m. this day; and
- b) Parliament adjourning on a motion to be moved by a Minister at any time.

Mr PETER O'NEILL (Ialibu-Pangia) – Thank you, Mr Speaker and thank you for giving me the opportunity to say a few words in respect to the Supplementary Budget that has been presented by the Honourable Treasurer.

Firstly, let me congratulate him on his presentation of his first budget of this Honourable House and of course the first Budget of this new Government.

Mr Speaker, budgets are very important documents that reflect the policies of a Government and it is important that this Supplementary Budget reflects the new Government's ideas and the way they want to create a new path that will bring us forward.

But, let me say this, from the reports we received, this Budget has been presented and prepared in isolation of established institutions of Government particularly Treasury, Finance, Planning and the Bank of Papua New Guinea.

Mr Speaker, these institutions have served us very well for 44 years despite many challenges that we have encountered. The Treasurer is lying to this Parliament that he has consulted those institutions to prepare this Supplementary Budget when he did not without their inputs.

Why I say this is because only recently on the 1 October, 2019, the Governor of the Central Bank presented the monetary policy statement of our country which clearly reflects very much that what the Treasurer is saying is not true.

All he has to do is read the Governor's statement because that is an independent institution and no government can influence that institution.

So, what the Treasurer is saying is that he is trying to reorganise Treasury, Bank of Papua New Guinea and other Institutions so that it reflects his political ideas.

Last time this particular Treasurer, when he was Governor for New Ireland, he tried to restructure the New Ireland Provincial Government and he knows too well the result of that restructure. When you don't work with Public Service machinery, doesn't matter who you are

or how smart you are, you fail to achieve that vision you had for your province or nation. So, we must work with all these institutions

Mr Speaker, the noble idea that we must not leave any child behind is a very good idea but the budget does not reflect that when you have cuts to every department that is thinkable. The list is there on schedule one. Schedule one reflects a budget cut of almost K1.5 billion in key services like health, education, DSIP and across the board. But the cuts are not maintained to balance the deficit level or reduce the deficit levels; rather they have increased the expenditure during this Supplementary Budget to K1.9 billion as the Shadow Treasurer has stated, a K1.9 billion increase in expenditure and a cut of K1.5 billion in key services that supposed to be aimed at leaving no child behind.

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When you cut education, when you cut health, when you cut all the police and judiciary, you are affecting key services that are going to be serving our people and our children. When you cut TFF, you are leaving children behind.

Mr Speaker, we are proud that over the past 8 years, we have increased the number of children going to school. From less than 900 thousand children to over 2.1 million children in schools. That is doubling the number of kids that we have out there. Just imagine how many more children are missing out on school today. And if you have further cuts in education and DSIP that will happen because most of our DSIP goes to education, health, law and order, and infrastructure.

And I am glad that the new government is saying that we will build more infrastructure in the rural areas. How are you going to build infrastructure when you are cutting DSIP? Eighty-five percent of our people live in the rural sector and yet you are not investing in them.

Over the last eight years, we have put almost K8 billion in this sector. You can see the changes that are happening in each of our electorates and districts.

Mr Speaker, this is an investment that does not need to be cut – DSIP and PSIP.

Mr Speaker, when we talk about debt levels, not once did the shadow Treasurer mention that he is increasing the debt levels.

From 35 percent now, he wants to increase to 45 percent. That is, just to sneak their way into the legislation that he is trying to pass today. In his statement he did not make one reference to it. That is lying to the nation.

Why do you want to justify an increase of 10 percent of GDP on debt levels? Where are you going to spend that money? Are you going to build new roads? Are you going to build new schools? Are you going to build new hospitals? What are you going to do with it?

Mr James Marape – Point of Order! Mr Speaker, with respect to the former Prime Minister and Member for Ialibu-Pangia, I think the Treasurer is in the middle of presenting one paper first and he will come to the other one that entails the *Physical Responsibilities Act* discussion so the Member for Ialibu-Pangia can reserve his right to make those comments a little bit later on. If he cares sit down and understand that in totality.

Mr PETER O'NEILL – Thank you, Mr Speaker.

Mr Speaker, we can only debate on what is being presented to us, the statement and the Bills. I can't wait for the Treasurer to tell me more lies. I can only tell from the speech that he has presented to this honorable House.

So, Mr Speaker, he is simply lying to the nation. The debts levels are going to increase, the economy is not going to grow. The economy has continuously grown for the last 18 years since Somare Government in 2002 despite challenges. When the oil price dropped from US\$100 a barrel to US\$27, the economy still continued to grow. When we did not have enough money, the economy continued to grow because we were thinking smarter. Papua New Guineans were thinking smarter.

We did not bring foreign advisors, academics who do not live in the real world to frame the budget for us as the Treasurer has done today. They have no understanding about practical issues on the ground.

They live in Australia. By the time we have challenges in this country, they'll get on the plane and go to Canberra.

Mr Speaker, these are people advising us today.

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Mr James Marape – Mr Deputy Speaker,, former Prime Minister is directly insulting Papua New Guineans who burn midnight oils at Treasury, at Planning, at Finance, and at the Prime Minister's Office. One of them included the good wife of the present Opposition spokesman on finance who just spoke. The good wife was part of the team that compiled all this and work on this document.

Mr Joseph Lelang – Point of Order!

Mr James Marape – Mr Deputy Speaker, the Member can't move a point of order against the point of order.

Mr DEPUTY SPEAKER – Honorable Member, resume your seat

Mr James Marape – Mr Deputy Speaker, I still have a live point of order and am just making a statement of point.

(Mr Joseph Lelang interjecting)

Mr DEPUTY SPEAKER – Honourable Member there's point of order already he's on it. Honorable Prime Minister go ahead.

Mr James Marape – Mr Deputy Speaker, my point of order is still live and he can raise his later. But, I apologise to the Lelang family. Your wife is a very respectable economist at a very senior level at the Department of Treasury.

I was making a reference that a lot of Papua New Guineans including her were involved in this document and for the former Prime Minister to make inference that the Treasurer has sought advice from elsewhere is a hundred per cent lie. Of course, there were some Australian experts who worked with the previous treasurers; they are and were in Treasury and offered advices to him. This document has come out as a result of many Papua New Guineans also, Papua New Guineans who care and are concerned for their country and for the first time have transacted this document in an open transparent manner.

Mr Deputy Speaker, the former Prime Minister needs to retract and apologize to all Papua New Guineans who assisted.

Mr PETER O'NEILL – Thank you, Mr Deputy Speaker. There is no need for name calling. Let me raise a few points and I'll give you some solutions that you have to try and think about it. You may not need it but I'll give it to you.

But let me say this, this is not intended in insulting Papua New Guineans who as I said for the last 44 years have worked hard to bring us where we are. We have grown significantly as a nation our GDP is now close to K100 billion. You can make smart alec comments but those are realities.

Mr Deputy Speaker, you know when we were in Government and when Somare was in Government, this economy grew for 18 solid years. What we face today in 2019 is a risk of going into recession and I will tell you why?

Because largely this Parliament has been playing politics since February 2019 so no one has been in charge of the country. We've been all trying to change governments and change policies and all sorts of things and that has created instability in the country when we took the focus away from managing the country.

The second issue is that we are not giving confidence to the business community especially the large investors who are investing in the country under the laws we already have enacted by this Parliament.

So the stalling of many of these key projects which were supposed to drive the economy by at least three per cent as predicted by World Bank and other experts is not going to happen this year. This is because we have lost focus on trying to put these deals to bed that is why we are suffering, that is why we have a cash flow situation.

And let me tell you today, the reality we face is when Total is now going to sack close to 300 people, mostly Papua New Guineans, and reduce the office down to 3 people in this country.

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That's what the employer's federation and all the other people are saying today. This is the reality that we are facing.

When you have cuts like this Papua New Guineans get sacked. Families will suffer with no food on the table. It is not only about one family but we have an extended family network in this country. So sacking other Papua New Guineans is not an easy task. You need to be responsible.

The main thing that is going to happen with these cuts is the reduction of service over the next three months where we are going to go back the situation where IMF introduced a structural adjustment program in 2001-2002, whence our police force, Defence Force, Public

Service was reduced down to bear minimum and they were not able to function anymore. That is what's going to happen.

The risk we have today, is that our population has almost doubled or tripled. We have more people out there and less personnel to carry out the job and less resources to fund them. Those are the realities. This Supplementary Budget does not address that. This is a very serious issue.

Mr Deputy Speaker, the policies that the last Government pursued which many of our senior Government Ministers are still in Government and I am certain that the achievements we achieved are there and here nobody was told to shut up when they were putting their ideas forward. If I had led a Government telling people to shut up from expressing their views I would be no good. Today you have a new Government so express those views. Express those policies that you have been dreaming about which the Government has shut you down. Let us see the new path that is going to take us to this new promised land.

Mr Deputy Speaker, we have grown the economy and that is why we are here. If you move around the city and towns around the country, development has taken place. Are you saying that when we spend on infrastructure in Port Moresby we are not serving our country? Over a million people live in this nation's capital. It is the Government's responsibility. I am not going to stop the people from migrating from rural areas into the urban areas. All my people from Ialibu-Pangia are migrating to cities and towns right across the country. I am certain many of you leaders have that problem where your people are migrating to towns and cities and we cannot stop that. Don't just dream about it. Build the infrastructure that is going to serve these people. That is what is needed in our country.

Mr Deputy Speaker, don't cut the PSIP and DSIP that is serving our people. Many of you know it and yet you are supporting a Treasurer –

Mr Allan Bird – Point of Order! Mr Deputy Speaker, the reality is that in 2017 when he was Prime Minister, the East Sepik PSIP was cut by 80 percent. That is the truth. Our functional grants were cut by 81 percent. If you look at this Budget there is no cut to provincial functional grants. They are cutting PSIP in Sepik by K2 million and they are being honest about it for goodness sake. You lied to us. So, don't stand up here and try to decorate it. At least we are getting the truth. In 2017 we got 80 percent cut. When Somare was there in 2016, you cut 80 percent again. Don't come and tell lies here.

Mr DEPUTY SPEAKER – Governor of East Sepik resume your seat. You are debating here. Honourable Member for Ialibu-Pangia please continue.

Mr PETER O'NEILL – The Governor for East Sepik can have his opportunity when he is allocated time to debate. Because there was not even a cut for any grants that was going into the provinces. There were no cuts for PSIP and DSIP. As far as I know the Treasurer then paid all the money going through.

Mr Deputy Speaker, let us debate on facts. Let me say this, building infrastructure and talking about debt, the Governor for East Sepik doesn't complain when I built that new hospital in East Sepik. They did not say, you are borrowing money to build this hospital so stop it. The Member for Madang doesn't stop me from building an airport in Madang when I am borrowing money from ADB to do that.

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Mr Bryan Kramer – Point of Order! My point of order is that I think we need to be factual. No one person – not Peter O'Neill built anything in this country. They are public money by the government, implemented, no one built anything. It is not our money and we said I built your airport. It is a loan from ADB of K25 million which this generation will now have to pay off, not you.

Mr PETER O'NEILL – Mr Deputy Speaker, I am just responding to what the Treasurer said, that I dug this big hole. He called my name so I am responding to them. Why are you so offended by that?

Mr Deputy Speaker, we borrowed money to build infrastructure right throughout the country. Roads, airports, bridges, hospitals and others. When I approved a K300 million hospital to be built in Enga, my good Governor for Enga didn't complain about it. When I built a new terminal in Mt Hagen, Goroka, down in Oro Province, and right throughout the country, nobody complained that these are borrowed money so stop building it. These are infrastructure enabling economic growth in those areas, Mr Deputy Speaker.

Sir Peter Ipatas – Point of Order! With respect to the former Prime Minister, I thank him for organising a loan to build the hospital in Enga but I want to assure the people of this

country that the contract prices that they got is the right price because I've got an eagle's eye on that project.

Mr PETER O'NEILL – Thank you, Mr Deputy Speaker and I thank the governor for his oversight of the project and hopefully the 300-bed largest provincial hospital in the country will serve the rest of the other provinces and the people around that area as well. It is a very important infrastructure that we have built in that province.

So, Mr Deputy Speaker, getting the basics right is very important. Borrowing more money is not going to help us. Borrowing money to just meet expenditure and overheads. Why have the wages increased? The industrial agreements that we negotiated from 2002 all the way up has locked out into this agreement.

Mr Speaker, the negotiations with the Public Employees Association where the increases of wages were guaranteed by those agreements. No government has the right to change it. Otherwise you will have an industrial action by all these public servants right throughout the country. So, now you are locked into a wages programme where it is continuously blowing out.

Now the government has done an audit. Take stock of that audit and cut the unnecessary departments that that are not going to serve our nation well. There are some provinces and departments who are employing people at their own will and blowing this budget needs to be pulled back. That's what needs to be done and I think the government can do that quite easily.

Mr Deputy Speaker, when this government came I saw in the papers that there were suggestions that billions and billions of kina was unpaid by companies and individuals for taxes in this country. Now, I know for certain that much of it is in penalties and interests. There is nothing wrong with this government going to these taxpayers, call an amnesty for one or two months, ask them to pay it and forgo penalties and interest so that you are able to collect more taxes and revenue and they become compliant as a taxpayer.

Mr Deputy Speaker, as I said already, when there are too many points of order I will have more time. But according to the disturbances caused by our colleagues here but let me conclude by saying this. There is enough revenue in this country. There is enough liquidity in this country. The economic fundamentals of this country are very solid. The interest rates are still stable, exchange rates are still stable, debt to GDP, as expressed by the Bank of PNG Governor is 31.8 per cent of GDP.

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There is no need for you to increase it up to 45 percent you can maintain it at 35 per cent and use that gap to borrow money that gap is worth billions of money. We have not seen a infrastructure that is going to build by this borrowing in the supplementary budget, we will go back to the areas when we had huge surpluses from 2002 to 2011 and we build not one single bridge not one single road not one single, we will only pay for consumption, wages overheads, interest, that is what we are trying to do with the supplementary budget think carefully that is all I am advising this honourable house. Thank you, Mr Speaker.

Mr SPEAKER – The honourable Deputy Prime Minister

Mr DAVIS STEVEN (Esa'ala – Minister for Justice and Attorney-General) – Mr Speaker, thank you for the opportunity to express my views on this important debate, especially in response to the Opposition spokesman which is at best alarming and misleading where he attacks the treasurers budget on the question of legality and of course a similar point was raised by the former PM in his reference to the absence of the necessary legislation to accommodate the adjustment in the benchmark relating to the debt to GDP ratio.

I also want to use this opportunity to remind the honourable leaders that the legality of the supplementary budget now before the house is cleared following the normal processes established in law. The state solicitor has cleared it considering all the legal requirements all the necessary procedures that pertain to passing an amendment to an appropriation bill for the sake of the opposition spokesmen and his reference to *Section 9* of The *Fiscal Responsibilities Act*, the publication of my offer is not in question, the report has been published it is not correct and is indeed misleading to say, to suggest that it was not published and even rejected. The fact of the matter if we look carefully at the submission or the presentation of the treasurer, the report was presented, considered as a prudent treasurer would do and rejected, ignored for what it is misleading in terms of its figures, in fact it is not unusual for a treasurer to rally behind a report like that and independent due diligence team, a due diligence team is in this case...

Mr Joseph Lelang – Point of Order! Mr Speaker, I think the esteemed Deputy Prime Minister and Attorney-General is misleading this honourable house and the nation on two grounds;

You mention that the Treasurer has reviewed this report and rejected it. Mr Speaker, that *Section 9* says that the Treasurer will table and he has tabled; the laws it says shall and that is mandatory. That is the treasurers report irrespective of who occupies that office, it is not up to the treasurer to say take it away, he doesn't have that discretion, its shall that is why I do not want the esteemed Deputy Prime Minister and Attorney-General to mislead this house, thank you.

Mr SPEAKER – Honourable Deputy Prime Minister

Mr DAVIS STEVEN – Thank you Mr Speaker, indeed the point of order is out of order because it is not our position that we have rejected this report. It has been presented and it has been considered. That is the normal thing to do. The law states that it should be presented and it was tested as to its accuracy and due diligence team comprising our own officials.

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If the Opposition Leader and the front bench can just read the text of the Treasurer's Speech, you will see that their own officials have tested the accuracy of that particular report and found that it's not reliable. And on top of that, the international bench marking was allowed to occur which is the right thing to do by the IMF. Where else do you go?

They found that the independent due diligence team that our Government put together was 1 per cent away from the IMF figures. This is the first time that we have before this Honourable House and before our nation, a truthful statement on the Economy of this country.

And yet the question has been made about where we divide the figures. If you want us to go back to the Law, it actually allows for the National Statistics Office to provide the figures on which the Budget should be framed.

But the facts are that the National Statistics Office figures goes back to 2016. And that's the information for the Opposition. It is a challenge for this government. You question the Marape-Steven Government with our vision on an important occasion where a Fiscal

Policy is concerned. But we have inherited a deficit. How do we state our vision going into the future of this country and at the same time manage such a decision?

This is why leaders of this honourable House, especially on in government, have agreed that a Supplementary Budget must come before the House. That will come at a cost. That's why we have the strategy in terms of managing the borrowing and allowing financing of these deficits.

Mr Speaker, let me take the opportunity to talk about the cuts. Yes, we decry the cuts that we now making with respect to the DSIP and PSIP, but that's a necessary cut. We are cutting elsewhere as the Budget Statement has outlined and there are massive cuts elsewhere but where DSIP and PSIP is concerned, we are more conservative and careful because the intension is to keep that funding envelope for the sake of the majority of our people where Districts and Provinces are concerned.

Mr Joseph Lelang – Point of Order! Mr Speaker, I think we should be careful about the word cut, that's misleading. There is no cut and it's only re- appropriation.

Mr STEVEN DAVIS – Mr Speaker, whether it's re- appropriation; whether it's a cut or decrease, it's a matter for definition. What the Treasurer's Bill is now showing us, is the cuts that we are making and the decision to reduce the expenditure in those areas. But much has been said about DSIP and PSIP, and I want to state on record that we on this side of the House know the benefit of DSIP and PSIP since it was introduced. We know how Districts and Rural areas of our country have benefited from funding going straight to where the people are.

Mr Speaker, it is for that reason that we have been conservative and careful in the reduction in that particular area. Our intension is to continue and maintain that policy. But we are going to do it better because we have introduced legalisation, the reforms under the *Organic Law on Provincial and Local Government* the honourable former Prime Minister under his leadership under the *Alotau Accord 2*, so that we can bring accountable structure oversight in terms of how we use that important aspect of development funding in SIPs.

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Yes, the DDA head is there but we never know Mr Speaker, that the DDA head is even being challenged in the Supreme Court today because our governors are not happy and

satisfied with the way we are devolving powers, decentralizing responsibilities and financing capacity of our lower government.

So, we will continue SIPs but under a robust legislative program which will come to the amendment to the Organic Law on Provincial and Local Level Governments that will be introduced later.

Mr Speaker, you will see the intention of this government in the next set of presentations and the bill that the Treasurer is going to introduce in the *Fiscal Responsibilities Act*.

It is wrong. In fact, it is misleading to think that we are increasing the threshold beyond 35 without any degree of responsibility that we would open it up and we can borrow and borrow.

In fact, for the first time in the wisdom of this government, we've inserted the protection that we need to insert in that legislation so that our borrowing is responsible. We will borrow but by operation of law, we will go back, we will revert to the original 35 percent benchmark inserted in that law.

We know the reason, the policy reasoner for the *Fiscal Responsibilities Act*, Mr Speaker. I therefore, of the view, Mr Speaker, to all our leaders especially the four on the other side to support this Supplementary Budget. Give us the opportunity to move beyond this difficult situation we have inherited and give us the opportunity to frame the 2020 Budget and then you can see what this government is about. Thank you, Mr Speaker.

Mr JAMES MARAPE (Tari-Pori – Prime Minister) – Thank you Mr Speaker. Firstly, let me take this time to thank the Treasurer. Under tiring circumstances and under duress, he was able to put together this Supplementary Budget.

And first and for most let me say Mr Speaker, the intention of this budget is simple. The Marape-Steven government in our endeavor as part of our policy and fundamental first policy is to establish exactly the state of our economy and ensure that the real numbers are coming out in total clarity without any ambiguity. That is the fundamental and first and foremost objective of this exercise.

The present Treasurer was always on the other side when I was a Finance Minister in the two years he served in this term of Parliament. He was always a large critique of the government that I was part of that went out on the 30th of May this year.

I have great respect for our friends on the opposite side today and they deserve to be commended for them to fulfil their Constitutional duty as the Opposition in the Parliament.

Today's announcement by Treasurer and exercise is simply to state the case in point in where our economy is. The country deserves to know the correct numbers, correct figures.

Today is not to go into all the nitty gritty of policies and programs. Our policies and programs should be seen in totality and fullness in our 2020 Budget preparations and the unfolding of 2020 Budget in November.

Today is just simply to stake the state of our economy. That is what the Treasurer has done and let me make some pointers.

Our 2019 Budget, the one that we passed last November, stated that we will collect revenue at K14.2 billion, Mr Speaker. Our expenditure was projected at K16.1 billion. So, we had a deficit about K1.9 billion.

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Mr Deputy Speaker, estimation at that time, and I give commendation to the Treasurer then, in terms of debt to GDP was about 30.8 percent or 31 percent. Our percentage Debt to GDP at that time was forecasted at 2.3 percent. The much talked about MYEFO which we are obliged to make reference to, but we are not obliged to save our new budget policies going forward.

A new government has its every fundamental right to look at the numbers with MYEFO as a reference point and establish what are the correct numbers in our estimations. Remember, budgets are always an estimation of what it is now and projected into the future.

So, MYEFO this year releasing early June, this Parliament accepted, revenue shrunk about K300 million to K14 billion, expenditure increased by another K200 million, so, our expenditure now goes up to K16.4 billion. So there's a deficit increase of K2.4 billion, Debt to GDP now it's almost about 32 percent GDP in as far as percentage is concern deficit was at 3 percent.

As an emerging trend, at July this year, as revenue shrunk, deficit increases because the expenditures continues to grow and some of the sectors in which expenditure grew are the reasons why Treasurer alluded to earlier and the fact that we were not able to meet some of our obligations and commitments in budget on time.

Now the Treasurers' due diligence team made of competent Papua New Guineans including some foreign advisers who were continually working in Treasury the last two to

three years, came up and affirmed that revenue shrunk further to under K13 billion. That's a decrease of revenue by a billion. Expenditures as far as the due diligence is concern at September and October period is now picking at K17.5 billion. So, the consequential numbers affect our deficit with grows to K4.5 billion, debt to GDP now picking at K41.2 billion and percentage picking at 5.7 percentage.

There was a debate amongst all of us within government. What is the correct number? It cannot be true! Exchange was going back and forth so a referee was asked to come in. And the referee was IMF. I debated as I was part of the former government. I said this cannot be sure, Mr Treasurer. Take it back and it came two or three times in Cabinet.

Mr Deputy Speaker we are not just coming into Parliament today without our own due diligence. We debated; these are our fundamental numbers that will influence the state of economy and country going forward. Mr Treasurer, are you correct with this numbers? The Treasurer had to go back three or four times to check. We wanted to asked him how are you treating the element of debts in our books and the various inputs that goes to affecting our debt level?

And IMF was asked to play the middle role and the referee. IMF comes in and there's a variant of just under 5 percent or 1 percent. IMF just confirms according to the due diligence team that our treasury was leading and it's captured in Article 4, revenue shrunk by K1 billion, expenditure picked by over K1.5 billion confirmed debt to GDP has gone past 40 percent.

So, in this scenario what do we do? Our economy is not limited to domestic players only. We are an international economy that needs to be send positive signal to both international observers as well as domestic stakeholders.

So we came up with this game plan to ensure we maintain sustainable budget approach that

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Even though we can have all the economic and legal numbers, the bottom line is cash is king. The money we put in, we'll have the money to pay the bills and the projects. As former Finance Minister, I struggled to pay the bills for the last 7 years and that is on record. Let me go back to the last 7 years.

In the last 7 years, the present debt we have today, what is on MYEFO debt as given in June this year, is K28 billion. Of the K28 billion, K8.3 billion is Treasury Bills, K8 billion Treasury Bonds, then you have the international agencies concessional K6 billion, international commercial loans at K2.5 billion, other extra ordinary loans at K1.2 billion, securities we gave at K1.6 billion which all stakes up to K28 billion.

Mr Speaker, this Treasurer for the first time is treating other loans outside of Government books and we ask him if that is international standard practice. For instance, Solwara 1 was not recorded in our Government books, yet we borrowed K375 million and paying interest, Motukea Port borrowed State guaranteed and State paying interest was not even in our Government books, National Capital District roads, we appreciate the roads and the innovation taken by the former Prime Minister but it all compounds to the great interest repayment that we are obliged to pay and the total dash top we have.

An element that this Treasurer is treating differently is the valuation where international loan and its cost of borrowing is measured against the value of kina has an effect on what you repay. We didn't treat it previously and this Treasurer is saying we need to treat it inside. We asked the IMF and they also concurred by saying we need to repay at the current rate but with the value of kina having an effect. So with all these different treatments our deficit has now increased.

There is a now a real cut in expenditure but on one side there is also a compounded interest. This Treasurer out from the need to be honest, has put everything on the table; all the debts that are on Government Books and the debts that are off Government Books to ensure we have the correct figures in terms of deficit and as a way forward working out of it.

Mr Speaker, sometimes it pays to be honest. Certainly, you will not die of being shameful but you will die of being dishonest because you will stake up hyper expectations and meet the reality of the situation out there in the world.

Let me commend the Treasurer and say that even though you faced stiff resistance from some of us you persevered. Let me also pay respect to the former Prime Minister and some of us who were in the previous team retrospectively where deficit approach to Budget is not bad but along the way we differed in opinion in investments in areas that has no direct economic return to the borrowing we took. We borrowed and borrowed and roads will repay the loans we borrowed? The economy must grow and of course there is nothing wrong with investment in Port Moresby city but we have to build more infrastructure in all our cities right throughout the country.

Mr Speaker, we must invest sustainably where our investment returns dividends to our economy and not compounding with minimal return to the economy.

Mr Speaker, what the Treasurer is doing today is establishing this Supplementary Budget to establish where we are today and admit. He is also bringing another amendment to the Floor giving some room for the immediate Medium Term.

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Whatever the medium term will be, our government will announce in the November budget.

There are other international stakeholders who want to come in and assist our Budget 2019 and our Budget 2020 but they cannot assist a budget that is already in breach of our very own instrumental budget law that is the *Fiscal Responsibilities Act*.

They cannot assist when on one side you talk about supporting rural development, supporting infrastructure, supporting DSIP and so forth. Some of you are economists, I am no economist but how do you support in an environment of revenue of strength and expenditure has gone up? In the immediate term you need to bridge that. You have to maintain life in the economy. That bridging must take place by a very responsible approach to debt financing, not irresponsible.

In the immediate term our Treasurer will announce in his November 2020 Budget his strategy towards debt in his clear as gold.

Our government is in the business of being responsible. The amendments to the *Fiscal Responsibilities Act* will have sunset clauses to ensure that there is no recklessness but to ensure that we go back to sustainable deficit levels and debt levels our country can have going into the future.

So the economic situation facing us and scenario facing us is something we all are faced with and we all must live with. There is no point hyper inflating a budget or per se, for instance K10 million each in DSIP when every sector is receiving a slash. Where is the level of commitment on Members of Parliament?

Some years back, Shadow Finance Minister not every district received K10 million although it was locked in budget just to appease the appetite of Members of Parliament. You lock something in budget and you don't pay at the end of December 31st. So living within reality's space is important for every one of us. Taking responsibility is important for every one of us. We need to survive today to get there. And this government is all about surviving

today, keeping our heads above water and ensuring that we announce what is the correct numbers in terms of what is the fundamental numbers that govern our economy and using that as our basis point, reference point to structure a 2020 Budget that will be geared toward growing our economy going forward.

So, let us not be alarmists, let us not be pessimists. Our nation is a nation of many wealth. Our asset base is all surplus. Conversion of our assets into actual liquidity for the needs of our economy hasn't been happening for a long, long time and we've been depending on such borrowing.

This Treasurer is being responsible. We will allow for short term bridging loan finance aspect of our budget. We will work to improve revenue collection from within our system. We will support pushing for Papua LNG to come into completion and full construction. We will work to get another third train on top of Papua LNG on terms that is friendly to us. We'll ensure Wafi-Golpu and Porgera has greater returns to our economy and discussions with Porgera and Wafi-Golpu will continue. We will ensure that our forests are harvested in a better way so that we gain from it instead of one or two proxies of landowners parking money elsewhere and mortgaging money for eternity and we will ensure that our marine resources come back to us next year and onwards.

So, this is work in progress and Mr Treasurer has no absolute answer to fix it all with an overnight pill for one supplementary budget. He has been in office only six weeks, I've been in government almost five months, we've been in government almost five months but we've been in Parliament for the last how many years.

Parliament has every tool within our disposal to make corrective measures for the future. This is just one step in the right direction. Getting the fundamental numbers for the whole world to see and for those who have confidence in this numbers we invite you to come in and work with us. For those who don't have confidence in these numbers, you can bugger off, we don't need you. We'll find a way up and we'll find a way out of this one.

35/04

Motion – That the question be put – agreed to.

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

Bill read a second time.

Message from the Governor-General

A message from His Excellency, the Governor-General dated 11 October 2019 was announced recommending the expenditure of public monies in accordance with *Section 210* of the *Constitution* insofar as the Bill relates to and provides for such expenditures.

Third Reading

Bill by leave, read a third time.

FISCAL RESPONSIBILITY (2019 SUPPLEMENTARY BUDGET) (AMENDMENT)

BILL 2019

First Reading

Bill presented by **Mr Ian Ling-Stuckey** and read a first time.

Second Reading

Leave granted to move the second reading forthwith.

Mr IAN LING-STUCKEY (Kavieng – Minister for Treasury) – I move –

That the Bill be now read a second time.

Mr Speaker, earlier today I introduced the 2019 Supplementary Budget. It is necessary although painful element of stepping out of the economic hole left by the former Prime Minister. I now introduce a Bill proposing important amendments to the Fiscal Responsibility Act.

Mr Speaker, these amendments are necessary because the former Prime Minister had left us with an illegal debt situation. This had to be fixed but and this is part of a new thinking, a new agenda of the Marape-Steven Government. We are also including amendments which responsibly start to open up the great investment possibilities of our great land. This is a revolutionary step forward for our country which I will expand upon later. Firstly, let me start with why amendments are necessary.

36/04

Mr Speaker, as I have outlined elsewhere, as the new Treasurer, I could not start to make recommendations to my colleagues on the best path forward if I did not first establish where we were. The Due Diligence exercise, led by a magnificent team of PNG academics and experienced PNG public servants, working closely with technical staff from other agencies, and complemented by international experts and academics, including advisors to former Treasurers and even former Prime Ministers, has shone the torch on PNG's real budget situation.

Mr Speaker, we now know that the true budget deficit left to the new government, the real economic hole which we inherited was K4,636 million in nominal terms - by far the highest level in our nation's history - more than a billion Kina higher than even in 2014. The Supplementary Budget introduced earlier will take decisive action to reduce this budget deficit. Tough but vital leadership decisions to cut costs by K1,480 million.

But we are still left with the problem that we need to find finance to cover the K3,504 million deficit that remains even after we take the biggest budget cuts that are feasible this late in the year. That means more financing. That will add to debt levels. And so, we also need to deal with the debt implications of the years of previous economic mismanagement.

Mr Speaker, PNG's debt without corrective action in the Supplementary Budget would have risen to over K33 billion by the end of this year. Even after the cuts in the Supplementary Budget, PNG's debt level will still be K31.9 billion. Using international standards for measuring GDP, PNG's debt to GDP ratio, even after the cuts is estimated at 39.8 per cent. This is clearly above the legislative limit of 35 percent. No more cuts are possible this year. It is not practical to assume that we can lift revenues more this year. We will continue to push for more dividends and more compliance, but we cannot assume this will happen. So we must deal with an illegal debt to GDP ratio. At this stage of the year, the only available option is to acknowledge the facts. And given

the facts of a 39.8 percent debt to GDP ratio, we must now make this legal. We have no choice. This means we must lift the current 35 percent upwards.

Mr Speaker, we know we have to lift the ratio because of the realities of our current situation, but how high should we lift it? Clearly, it has to be lifted to at least 39.8 percent for our current situation to be legal.

37/04

However, there were other existing loans not currently on the books that may come onto the books. Why? Because the former government made many poor investment decisions and then insisted that the people of PNG guarantee this risky and often irresponsible loans.

More of these loans will end up in difficulties and the tax-payers of this country will have to start paying for them. This will add to the level of measured general Government debt using the definitions in the *Fiscal Responsibility Act* and applied since 2012. Some have suggested narrowing the definition of debt and pretend that these impaired state guaranteed loans are not part of the FRA even though we are paying interest on them. I'm just not prepared to stick my head in the sand and ignore the problems.

Mr Speaker, we need to face up to the reality that many of our loans do not have good business cases established before the state borrowed, or even provided a guarantee. This is just part of the painful legacy of bad decisions in the past. Let's just have the courage to acknowledge these problems. There will be hundreds of millions of additional bad debts to hit the budget.

And we will have to pay for them. These bad debts will lift our debt ratio which is already at 39.8 per cent. We must prepare for this, which means we must have a debt ratio greater than 40 per cent of GDP. I have been talking of the challenges we are facing, the painful legacy left by Mr Peter O'Neill, the largest budget deficit in our history, record nominal debt level. A debt to GDP ratio that breaks the 35 per cent limit. The likelihood of more bad debts hitting the books, meaning a need to lift the ratio above 40 per cent.

Mr Speaker, let me now start talking on moving forward. As a business person, I look around our country and its vast potential, my overwhelming view is that we have massively underinvested in our future. As a nation we are well under capitalized. We should have more investments in our roads, on our small businesses, in our education and health systems and in our human capital. Much of these additional investments must come from our own domestic

resources. We must lift our revenue levels and that is really a challenge. But we also need to be smart.

A country such as PNG is usually a place which encourage foreign investments. And we must develop more of these. Especially in sectors most likely to create jobs and other opportunities for our people and we also need to seek out joint ventures and public sector partnerships. We also want more investment in areas usually under taken by governments such as roads and wharves, hospitals and runways. In addition to more domestic revenue and more private investment, we also should look at more capital financing to assist development.

38/04

In addition to more domestic revenue and more private investment we also should look at more capital financing to assist development. I do not want a debt to GDP cap to overly limit PNG potential for more investment in good projects with good business cases, this means that in addition to the possibility there are more bad debts are falling into our government books we should create some extra space to allow additional financing.

Mr Speaker, the Marape-Steven Government has decided that the right balance between preparing the budget and financing more growth opportunities is to lift the Debt to GDP number to 45 percent this is a responsible change given our starting point and the very strong likelihood of more bad debts, in many ways Mr Speaker we do not have much choice they were forced to lift the debt to GDP ratio even higher. The government have decided this must be balanced with the importance of debt sustainability, debt management even with this responsible increase, how do we ensure it goes to good projects, with good business cases which can repay the loan and of course boost growth.

Mr Speaker, an important and innovative element of the changes to the FRA is to give a clear preference to what is termed, inverted commerce, reconstruction and growth debt, this term is defined in the legislation as covering concessional loans from multi-lateral agencies such as the Asian Development Bank and the World Bank.

Further assistance is possible if these multi-laterals invite other bi-lateral partners to provide funding, interest rates on loans cannot exceed 5 percent the great benefit of a preference for a multi-laterals is that knowing they have regress projects design protestors unfortunately sometimes they takes them years, they establish good business cases for loans and ensure the cost of loans can be repaid from earning, they also do good social and

environmental analysis and consider important elements, such as how project impact women and children.

Robust procurement arrangement and strong ongoing monitoring and evaluation, overall multilateral financing represents good cheap debt, this is in stark contrast to the bad, expensive debt which the former Prime Minister seems to specialise in.

Mr Speaker, the way we create a preference for such good, cheap debt or within the upper limit of 45 percent is that such debt is excluded under the FRA, from the deficit rule related to the annual non-resource primary balance, this creates an incentive to turn towards this type of better debts.

Mr Speaker, there are also several other good governance reforms made in the FRA amendments. In recent years there have been disputes about what should be included in debt and the appropriate GDP figure to be used.

The definition of general government debts and GDP have been clarified finally and now link explicitly to meeting international best practice.

39/04

Mr Speaker, I am proud to present these amendments to the *Fiscal Responsibility Act* they are initially driven by the recklessness of the former Prime Minister and changes were required to make current debt level legal, getting international assistance means we should at least ensure we abide within our own laws but going beyond this legal necessity these amendments are also signalled a responsible approach to investing more in our country. There is a limit of 45 percent on all debt which provides some more capacity for borrowing at the same time we are introducing arrangements that creates a clear preference for good cheap loans led by multi-laterals such as, the World Bank, IMF and ADB as I mentioned earlier, we are also introducing some good governance reforms into the way we define debt and GDP.

Mr Speaker, PNG must leave within our means, this does not mean that we cannot borrow but it means we must borrow well and very much in the interest of our children, these amendments set out a way forward, another step out of the economic cold left behind which allows us to take back PNG and wisely invest more in our future through a preference for good cheap multi-lateral financing.

Mr Speaker, I commend the Bill to this parliament.

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

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

Bill read a second time.

Third Reading

Bill by leave, read a third time.

ADJOURNMENT

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

The Parliament adjourned at 2 p.m.