

**TENTH DAY**

**Thursday 10 September 2020**

**DRAFT HANSARD**

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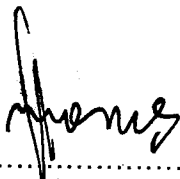
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.....  
**Mr Harry Momos**

Acting Principal Parliamentary Reporter

## TENTH DAY

Thursday 10 September 2020

The Deputy Speaker (**Mr Koni Iguan**) took the Chair at 10 a.m.

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

Sitting suspended.

The Deputy Speaker again took the Chair at 11.30 a.m. and invited the Minister for Finance and Rural Development, and Member for Finschhafen, **Honourable Rainbo Paita**, to say Prayers:

‘Papa God, mipela itok tenkyu tru long dispela moning. Nambawan mipela itok tenkyu long wanpela kantri we yu givim, kantri we fri, kantri we olgeta blesing bilong dispela graun yu givim. Na insait long dispela blesing, yu givim freedom of religion long mipela kolim nem bilong yu. Na dispela moning mipela olgeta sin man bilong dispela kantri. Mipela kam before long yu long tok tenkyu, long makim mipela long kam representim man bilong yu long dispela Floor. Papa God mi tokaut oslem mipela olgeta ino stretpela man. Planti taim toktok na pasin mipela mekim ino stret long eye bilong yu. Papa God, mi tok sore tru long makim olgeta lida long dispela Haus; said bilong Gavaman, said bilong oposisen, Papa God mi tok tenyu na mi tok sore. Long dispela taim Papa, taim mipela I sidaun long dispela dei, mipela submitim mipela yet kam andanit long eye na tingting bilong yu. Givim mipela double portion of wisdom, knowledge na understanding lo kisim tinting na stiarim dispela kantri long rot we yu laikim. Mipela tok tenkyu na putim han igo long Prime Minister wantaim Cabinet Ministers, Opposition Leader, wantaim Shadow Ministers na olgeta members bilong dispela Haus-we yu makim long wan wan Province na wan wan District lo representim ol long kam sanap long dispela Floor. Mipela putim Speaker na Deputy Speaker kam bek long han bilong yu, taim mipela go insait long dispela proceeding, may yu lidim mipela. Gutpela klia tingting we ikam long Heven ken biainim na mipela stiarim dispela kantri long rot we yu laikim. Because man na meri bilong dispela kantri em man na meri we yu givim mipela olssem wasman na waspapa lo lukautim kantri bilong yu. Mipela submitim mipela ikam daun. May you increase na mipela decrease long dispela Haus. Nem bilong mipela go daun na yu kam antap tru. Papa mipela tok tenkyu long olgeta samtin, yu givim gutpela Gavaman, gutpela kantri, gutpela graun, gutpela wara na olgeta samtin we yu

givim, mipela tok tenkyu tru na mipela privilege long karim dispela kantri we yu yet putim. Taim bilong mipela we ikam, yu makim mipela na putim long dispela Haus long representim man na meri bilong yu. Amen.'

## QUESTIONS

### Menyamya Road Classification

**Mr PHILIP BENJAMIN** – On behalf of my people from Menyamya, I would like to say, thank you. This will be my first time to ask questions here on the Floor of Parliament.

Mr Deputy Speaker, I would like to direct my questions to the hard-working Minister for Works and the Prime Minister and National Planning Minister can take note. My questions are in regard to the Menyamya roads.

My questions are related to the Menyamya District and Morobe Provincial and National roads classification. But before I ask my questions, I will give a short background of my district.

Mr Deputy Speaker, Menyamya electorate has a population of 87 209 and it is situated in the heart of Papua New Guinea, in the Morobe Province. The land is very fertile and most of the area is mountainous but has a higher organic coffee growing potential.

Mr Deputy Speaker, Menyamya is only accessed by important highway link from Bulolo electorate which is 122 km from its township. Over the years, the road has deteriorated from bad to worse despite substantial DSIP funds being allocated and maintained.

Mr Deputy Speaker, my humble questions to the Minister are:

02/10

- (1) Can he identify the classification of the road from Bulolo to Menyamya; is it a national priority road or a non-priority road?
- (2) If it is a non-priority road, can it be upgraded to national priority road?
- (3) What criteria does the department measure or use to upgrade or downgrade all the trunk roads and highways in PNG?
- (4) Does the Minister have any plans to upgrade this 122-kilometre road from Bulolo to Menyamya?
- (5) Is there an annual allocation to maintain this important road?

(6) Does this government intend to seal this highway as in other districts in this country who have already benefited from sealed roads?

This is the dream of the people of Menyamya.

(7) Has the Minister read the text message I sent to him three weeks ago, requesting a meeting to discuss the issues of Menyamya district roads and bridges?

- -

#### **Lae-Nadzab Road**

Mr Deputy Speaker, the other question is in relation to the progress of a 40-kilometre four lane road from Lae to Nadzab.

(8) Why is the construction and upgrading of this important road taking too long?

(9) Has your department informed you about the status of this important road that is filled with potholes and has become dangerous to travel on?

Vehicles are speeding on this particular road and may cause fatal road accidents while attempting to avoid the potholes. This is not a good image for our tourist and general public coming into the city and affects the business community at large.

Thank you, Mr Deputy Speaker.

**Mr DEPUTY SPEAKER** – Thank you, honourable Member for Menyamya, I was about to stop you from dragging on your questions but you made your question clear.

So, I'll ask good Minister for Works to respond to your questions.

**Mr MICHAEL NALI** – Thank you, Mr Deputy Speaker. I thank the honourable Member for Menyamya for asking those questions.

Mr Deputy Speaker, in 2018, I flew into Menyamya on a helicopter. I went from Lae to Nine mile and then into Wau-Bulolo, through the PNG Forest Product road link and followed the road all the way to Menyamya.

First of all, I would like to say that, some of the electorates are not experiencing the pain many of our people are experiencing in remote parts of the country where there is no road.

Mr Deputy Speaker, I have seen the struggle of the Menyamya people. As I flew over, I saw lots of equipment that have broken down. This indicated the struggles former and current Members endure to deliver services in their own little ways. Like most parts of Papua New

Guinea, roads go through rugged terrain and in dry season only Land Cruiser vehicles can access these areas.

03/10

But I must mention here that even if vehicles such as *Toyota land cruisers* can access these roads it is still unsafe to travel. Despite all these hardships people still have to come into Lae City to get supplies whether it be medical, educational or just shopping. It is in fact a very sad state of affairs. I would like to acknowledge that the Member has asked some very important questions and I know what he means. This is the same issue with many parts of our country.

Mr Deputy Speaker, with regard to whether this Government has any plans in building roads for Menyamya. The Marape-Steven Government is embarking on connecting Papua New Guinea or Connect PNG. In my opinion, in connecting PNG there are many roads to fix. Our priority will be the Transnational Highlands Highway because it will open up the Highlands Region, the Momase Region and connecting the Southern Region through Gulf Province.

When I visited Menyamya, I saw a lot of coffee rot away. I saw honey, oranges, lemons and many other food items that we have been importing from Australia are there. We have our people there who are basically living on God's Grace but I tell you, they know how to look after themselves.

Mr Deputy Speaker, I would like to inform the Member that there are factors that need to be considered but I think Menyamya to Port Moresby must be and should be a priority road. However, it will be up to our engineers to professionally inform us of the requirements to construct such a road. Recently the Prime Minister, the Governor for Gulf and I flew into Kaintiba. We observed that these are some of the most difficult terrains of our country. We already have studies being done for that possible road. The Marape-Steven Government is committed to that and our development partners have also made it their business to assist us in funding that particular road.

Mr Deputy Speaker the two issues that will drive this construction is technical and engineering studies and our economic studies. This is a decision that I cannot make alone as the Minister for Works. I will be guided by all those studies put together and the Government will give us the okay to go ahead with this road construction. If this country had all the money, then I would definitely give you the priority.



Mr Deputy Speaker, my struggle is that my budget is always not big enough to cater for all our roads. Many times, I am given 30 per cent of what is required for our roads. When the Parliament made this new reform, I said we have a backlog to maintain our existing roads and also build new ones. I came up with a figure of K20 billion behind our required need.

The country needs K1.5 billion a year to upgrade all the existing roads to a satisfactory and safe level. Furthermore, to put in new infrastructure, I would need another couple of billions of kina to put into our roads. I am sure we all are aware of the struggles that our country faces. I come from Mendi where I have access to roads but there are districts in this country that have not seen roads and are crying for roads. I feel for you and hope that one fine day our country will have enough money to connect PNG. I want to inform the Member that Menyamya is definitely on my list as a priority.

Mr Deputy Speaker, in reference to the classifications of roads. Menyamya can be classified as a district road but because of the alignment of Connect PNG you can be considered as part of the national highway. Under the reforms, the classification of roads comes directly under me as minister responsible.

Mr Deputy Speaker, with regard to the nine mile up to Bugandi section of the road, we all know that this section has been completed.

**04/10**

From 9 Mile to Yalu and then Yalu to Nadzab, are two different sections. So, in the Budget, you will realise that K15 million has been allocated in the 2020 budget appropriation for this particular road to be upgraded, especially on these two sections.

After the ground-breaking ceremony for building an international airport at Nadzab by the Prime Minister and his delegates, it was noticed that the roads were deteriorating and an urgent attention to upgrade from Lae City to Nadzab and then from Nadzab to Kagamuga would be recognised. However, the Kagamuga section of the road has been upgraded by the Asian Development Bank at a cost of K3 billion, of which, first phase is going through an implementation process and the second phase is in the tendering process and the third phase is pending. Therefore, the road upgrade from nine mile to Nadzab is on track as it will be funded.

Thank you, Mr Deputy Speaker.

**Mr Philip Benjamin** - Point of Order! I understand that the Minister did not answer one of my questions. The question is, why do you always ignore my phone text messages? I don't want the way most of our Ministers are behaving. The blame for the behaviour of our other ministers is also put to you in this regard. But other Ministers must take note.

Thank you, Deputy Speaker.

*(Laughter in the Chamber)*

**Mr MICHAEL NALI** - Mr Deputy Speaker, I don't have his phone number. I am not expected to have all the members of Parliament's phone numbers, until and unless we begin to communicate. But, I apologise to him for not seeing his test messages.

*(Laughter in the Chamber)*

**Mr Philip Benjamin** - Point of Order! I think your answer is not true.

**Mr DEPUTY SPEAKER** - Honourable Member, you won't debate your question. The Minister has admitted so the Chair won't entertain your point of order.

### **Supplementary Question**

#### **Epo – Kerema Road**

**Mr CHRIS HAIVETA** - Thank you, Mr Deputy Speaker. I want to thank the Member and the Minister for the question and answer.

My supplementary question relates to the road classification, particularly, the Hiritano Highway, where it starts and ends. It is very simple because 15 kilometers of the road where we consider to be a national highway has been under the care and maintenance of the Gulf Provincial Government over the last three years. Recently, I know that World Bank has funded this project, but the problem is with the Independent State of Papua New Guinea and the World Bank where they blame each other as to who will choose a contractor.

In the past three years, a survey was carried out at the provincial government. Even though we spent some millions of kina in trying to assist in maintaining the road between Epo and Kerema.

05/10

My questions are as follows:

- (1) Is this section of the road considered as part of national highway or not?
- (2) If it is, and a contract awarded then why is it delayed between you and the World Bank?
- (3) When exactly will you all agree for the work to commence on this section of the road?

**Mr DEPUTY SPEAKER** – Honourable, Minister, you have answered in detail on these questions so answer only on the Governor's question and allow time for others to ask their questions.

**Mr MICHAEL NALI** – Thank you Mr Deputy Speaker. I agree with your ruling. This section of the road leading from Kerema to Epo comes under World Bank funding.

Mr Deputy Speaker, the process of awarding the contract is lengthy and the National Procurement Commission is responsible for procuring this work.

Unlike before the Department of Works and Implementation normally goes through stages before contracts are awarded; firstly, advertised for public tender, being evaluated and finally contracts awarded to whoever wins the contracts. It is a lengthy process basically for transparency reasons.

But coming back to Governor's questions this road has already been procured but a problem arose administratively not by my Department but by the process. A recommendation has been sought through tender and the Finance and Technical Evaluation Committee recommended and somebody else rewrote the recommendation again and send it to the World Bank and contract was awarded to a one of the contractors that was rejected at the first place.

Last week Tuesday, the mistake was corrected and a formal letter was signed by the Secretary for the Department of Works and Implementation and sent to World Bank. We are now awaiting the response from the World Bank whether to reject or allow tenders board to award the contract. This same process applies to the road from Awar to Bogia.

The Hiritano Highway commences from 9 Mile to Kerema and its a national highway. Therefore, coming back to the question raised by the Member for Menyamy, when that section of the road is constructed it will pass through Gulf and connects with National Capital

District and will then connect with Magi Highway and linkup with Alotau in Milne Bay Province and further to Northern Province. And these are all National Highway.

#### **Abandoned Casino Project**

**Mr PHILIP UNDIALU** – Thank you, Mr Deputy Speaker. I want to direct my questions to the Prime Minister. I want the Minister for Lands and Physical Planning and Minister for Commerce and Industry to take note.

My question is in relation to K22 million investment done by the landowners of Moran and the Gobe landowners in Southern Highlands Province, for the abandoned casino project at Four Mile.

Back then in 2007, Cabinet approved and the Department of Commerce and Industry vetted these investments with an investor from South Korea. And our people were convinced to invest in it and its almost 13 years now. The money is lost.

**06/10**

The last, I heard was that NCDC Building Board has condemned the building and asked for its removal and the Land Title is sitting with the investor.

I am a Member of the Petroleum Resource Moran Board and it is my responsibility to give an account to the landowners on what is discussed during the Annual Meetings.

So, who will be responsible to reimburse the K22 million?

The CMSS Company Limited was about 80 per cent owned by another Company called AusPNG Holdings Limited, which was owned by another company called Siniwok.

Siniwok is owned by someone sitting in this House, and this is none other than the Leader of Opposition. I have a print out from the Investment Authority –

*(Members mumbling in the Chamber)*

**Mr Belden Namah** – Point of Order! Mr Deputy Speaker, can the Governor of Hela, go into the question because the matter is before the court and it is sub-judice at the moment  
Thank you, Mr Speaker.

*(Members mumbling in the Chamber)*

**Mr DEPUTY SPEAKER** – Honourable Governor, you ask your question and frame it in a manner which the Prime Minister can give a response.

**Mr PHILIP UNDIALU** – I have to give some background before, I ask my question or else, without background information there is no point answering the question.

**Mr Belden Namah** – Point of Order! We have on the Floor of Parliament made rulings that matters before the Court should not be discussed in Parliament and I expect the Deputy Speaker to make a ruling on that fact. If the matter is before the Court it should not be entertained.

**Mr DEPUTY SPEAKER** – Leader of the Opposition and the Honourable Governor of Hela, the Chair will ask you to reserve your question and I will ask the Clerk to check on the matter that is before the Court because the Office of the Speaker has not received any notice of the Court Case.

I will ask you to reserve your rights to the question and we will check and then I can allow you to continue on your question.

Honourable Governor of Northern and Honourable Member for Bogia, resume your seats.

I will ask you to raise your point and then I will make a decision on it.

**Mr PHILIP UNDIALU** – I will try to refrain from touching the issues in Court.

The demolition order has been given, the money has been lost and the land title has been taken by someone else; this investment was guaranteed by the State so what is its position on this matter?

Now, K22 million is a lot of money and I also have to give an account of this to the people.

Thank you, Mr Deputy Speaker.

**Mr DEPUTY SPEAKER** – Honourable Prime Minister, I will allow you to answer the question and if in your knowledge you know anything is before the court, I will ask you to

refrain from commenting on it and go straight into answering the question the Governor has asked.

**Mr JAMES MARAPE** – Thank you, Mr Deputy Speaker, and I would also like to thank the Governor of Hela for asking this important question relating to the investment by the people of Moran and Gobe.

I have no idea if this matter is before the court but this is an investment that needs clarification if the land has been given back or if the land has been lost.

**07/10**

If I am not wrong the subsidiary companies that the two landowning groups own so we will call for an investigation into this matter in totality and find out what happened. I will sanction an inquiry into the Gobe and Moran landowners fund and if the fund has been abused through a scheme, we'll establish that and report to Parliament at a later date. And of course, refer the matter to police too.

#### **Manam Resettlement Authority – Funds Misuse Report**

**Mr ROBERT NAGURI** – Thank you, Mr Deputy Speaker. My questions are directed to the Minister for Finance. This is in relation to the questions I raised in the August 2019 Meeting of Parliament.

This matter is regarding monies for the Manam Resettlement Authority that were misappropriated, squandered and misused by the Madang Provincial Government.

I asked for an audit into the usage of these monies, though it was conducted, to date, it has been over a year and I haven't received any reports regarding the status of this money. So, I would like the Finance Minister to tell me and the board of the Manam Resettlement Authority. I have a very active board that is ready to work now but our only issue is money.

We keep on asking the government for more money, we have money but where are those monies now?

So, I would like to ask the Finance Minister if he can check up with the Secretary. Why is this report taking too long? It's been over a year and I haven't received this report yet. I would like to take further action with the police fraud squad when I have this report in my hand.

**Mr RAINBO PAITA** – Thank you, Mr Deputy Speaker. I would like to thank the Member for Bogia for his very serious but important question.

Mr Deputy Speaker, as far as I understand on the issue of Manam Resettlement, one was the issue of which agency would have been the custodian of the funds that are sent for the resettlement exercise. And, two, there was an issue on the work of the board and three, may be two, three months ago NEC appointed a new CEO to the Authority. A very competent person.

When we asked Finance Department for the audit report I will confirm to the Member, through you Chair, that the audit has been completed. From our side we are just to forward that audit report to the Auditor-General's Office and then to PAC.

So, I can confirm that the audit report is completed. Going forward, this government's initiative is that further funding for Manam Resettlement will be sent directly to the authority as the purpose of the authority is to establish resettlement. So, I understand there's some issues between the Members from that province so the government is trying to ensure that the specific authority that was set up will be the agency to deal with the funding from the Supplementary or the proper Budget 2021 going forward.

In short, the audit report has been completed. We will provide that report to the Auditor-General. I can assure the Member that I will do it in the most expeditious of time. After this Meeting I will ensure that the report is sent to the Auditor-General's Office and ensure that future funding will be sent directly to the board. This board is now currently active under a new competent CEO and look forward to working with him as the Member representing his people on the ground expressing this issue. He has raised this a couple of times so I will ensure that I personally deal with this.

#### **Plans to Print More Money**

**Mr JAMES DONALD** – My short question is directed to the Minister for Treasury. I know that we did not budget for covid-19 this year. It was unexpected and it hit the country raising a lot of problems and we are about to hand down a supplementary budget. I have received some misunderstanding or misreporting last week that the government is going to print currency denominations.

08/10

Can the Minister for Treasury confirm if the Government is planning to print money in order to support the Budget for 2020?

Thank you.

**Mr IAN LIING-STUCKEY** – Thank you, Mr Deputy Speaker. I want to also thank the very handsome Member for North-Fly for his leading question.

Mr Deputy Speaker, there has been a lot of discussions lately, in relation to printing money and a lot of lies and fabrications which I have noticed printed in the media. This afternoon when I present my economic statement, I shall try to detail and respond to some of those.

But in relation to the question from the Member, Mr Deputy Speaker, when we talk about printing money, we are talking about a Monetary Policy which is called, Quantitative Easing. This policy is used worldwide by the governments. And we have two types of Quantitative Easing. One is direct QE or Quantitative Easing the by the Bank of Papua New Guinea (BPNG), that purchase direct from bond holders or bill holders.

The other is indirect QE, Mr Deputy Speaker, where the Bank of Papua New Guinea purchases from a secondary market, if it will, typically from large investors such as the commercial banks and superfunds.

So, I guess the short answer to his question, whether the Government plans to print money, hopefully we do not. But at this point in time, Mr Deputy Speaker, we are all aware of the global economy which has decimated as I have mentioned last week, the GDP numbers right across the globe have plummeted.

At this point in time right around the world and in our country, we are experiencing extraordinary times. Mr Deputy Speaker, during extraordinary times, governments must adopt extraordinary solutions. Some of the solutions are the Monetary Policy tools which are available to governments, Mr Deputy Speaker, like QE or the instance of these Government Bonds we are looking at our Temporary Access Facility (TAF) account.

And at this point in time, the government is thinking that before we start to adopt QE or start considering printing money, we would like to use our TAF account first. Mr Deputy Speaker, the Government's overdraft account currently has a limit of K300 million. Previously K200 million was the limit.



Mr Deputy Speaker, it is important to know at this time with the financing plan of this Government, which was clearly highlighted in our 2020 Budget. We started of the year with a deficit of K4.631 billion which means we need to borrow that.

Our financing plan to date, Mr Deputy Speaker, are from all the information that has come across my desk which were essentially on target. There is one product which I am aware of, the Asian Development Bank (ADB) parso credit guaranteed a loan and for a number of technical reasons, that has been pushed back to next year. That is a K300 million facility, but fortunately negotiations are concluding to have that rotate with another loan for K250 million.

09/10

But essentially our financing plan is on target at this time based on the information before the government.

Mr Deputy Speaker, the bulk of a lot of financing packages have been brought back to the second half of the fourth quarter of this year. Thereby, probably facing some undue cash flow pressure on the government and one of the remedial measures, we intend to take before even considering quantitative easing is to increase the limit of our cash account to K300 million.

Mr Deputy Speaker, that will be the subject of an amendment this afternoon as part of the supplementary budget. Where the government reviewed, how we were dealing without cash account and it's important to know?

Mr Deputy Speaker, that when we look at practices around the world ceiling; that most of the countries are using, they set a range between five to 15 per cent of their previous government revenue grant and in Papua New Guinea that percentage price is about three per cent.

So, the government after the careful consideration and the consultations with our multilateral and bilateral partners has decided to increase the ceiling from three to 12 per cent. And thereby, resulting in our cash account ceiling to increase up to around about K1.5 billion.

So, I thank the Member for his question and at this point in time Mr Deputy Speaker, the short answer is hopefully not because we have other monetary policy tools, we feel is more prudent.

Thank you, Mr Deputy Speaker.

### Supplementary Question

#### Funding for Independence Anniversary Celebrations

**Mr KENNEDY WENGE** – The Covid-19 pandemic has no budget when it entered our country.

The people of Papua New Guinea are already celebrating 16 September on the streets and in the past each Member received K100, 000 as a component of independence celebration.

I thank the good government that we are part of and now facing financial crisis whilst we will commemorate our 45<sup>th</sup> Independence Anniversary.

My supplementary question is; can the Treasure release K100,000 to each member for the Independence Anniversary celebration or not? If not, can we use Covid-19 funds to celebrate. If not, why not?

**Mr DEPUTY SPEAKER** – Honourable Member your supplementary question is not relating to the issue but for the benefit of all the Members regarding Independence celebration, I will let Treasurer to respond to the supplementary question.

**Mr IAN LING-STUCKEY** – Thank you, Mr Deputy Speaker. I thank the Member for Nawae for his supplementary question.

In the past, funds allocated to Members of Parliament for this purpose, some were managed well and some not.

If the honourable Member was in the government caucus this morning, he would have heard from the Minister of Finance who recommended Members to use the administration component of the DSIP, that is K1 million out of K10 million and use K100,00 for independence celebration.

10/10

The Minister for Finance will come up with a financial instruction or FI to give us the approval so that all of us will not be visited by the Ombudsman Commission.

### **Managlas Conservation Area**

**Mr GARRY JUFFA** – I direct my questions to the Minister for Environment, Conservation and Climate Change. They are in relation to the Managlas Conservation Area which was publicly declared on the 29<sup>th</sup> of November, 2016.

Mr Deputy Speaker, this is PNG's largest conservation area and encompasses an area of 3 600 square kilometres. It is home to the world's largest butterfly SEPA. On the 16<sup>th</sup> December, 2016 the NEC Decision No. 325 approved it. On the 22<sup>nd</sup> of March, 2017, the Managlas Conservation Area was gazetted by Governor-General Sir Bob Dadae. Note that this butterfly is only one of the three insects listed on sites as an endangered species.

Mr Deputy Speaker, my questions are as follows:

(1) What is CEPA doing in terms of funding and other support for the management of Managlas Conservation Area in Oro Province which covers the 3600 square kilometres of rainforest and is the largest protected area in Papua New Guinea?

(2) Can you advise, when the Protected Area Bill drafted in 2018 which includes provisions to support livelihood activities for local communities in protected areas will be presented to Parliament for enactment?

(3) Does CEPA currently have a board in place? CEPA is an authority similar to National Forest Authority and so should have a board in place. In not, when will the CEPA Board be established? Has it ever had a board since its inception in 2016?

**Mr WERA MORI** – I thank the Governor of Northern for his questions.

Mr Deputy Speaker, let me put it this way, in answering the questions, I do confirm that all the necessary legal processes were followed. The particular area that he is referring to, the Managlas Conservation Area, remains the biggest conservation area in this country. It protects pristine tropical rainforest on the eastern and north-eastern slopes of Mt Lamington down into the Safia Valley and to the tributaries of the Musa and Domare Rivers.

Mr Deputy Speaker, I regret to inform this Parliament that my Department does not get the required support and recognition that it deserves in managing this very pristine resource of this country. We are always pushed to the back. I would like to admit to Parliament that those who were effectively managing the Managlas Conservation Area were mainly NGOs partnering with donor agencies. As a consequence of the questions, I would like to bring to this to Parliament so that at least, we need to make money available. I just received a text

message from the deputy manager of CEPA that our funding requests for such activities has been knocked back.

Mr Deputy Speaker, I would therefore like to convey to the Governor that there has been lack of funding support. Our other source of revenue including clawing back levies so that are imposed on logging companies whereby it can be able to support such management which has been non-existent.

Despite the fact that we have written to the National Forestry Authority. The Minister for Forestry is here.

**11/10**

This is going to be addressed because the world is now talking about protecting our ecosystem.

With regards to the attraction of the Protection Bill, I will make it my business to call for a meeting today to basically revisit some of these issues. And I will inform the Honourable Governor so that where ever it has and to what extent the attraction has been progressed. I will make it my business to bring it to the Parliament so that we can be able to enact it.

Thirdly, the establishment of CEPA board has been a problem. It has been a legacy issue and I must commend my predecessors Sir John Pundari and the Member for Karimui-Nomane, Honourable Jeffery Kama. It has been cumbersome because the processes that are involved to appoint board members for CEPA is quiet in itself is like you walking through a jungle. It ought to be rectified. The board must be in place and I am thankful that a question is being asked so that I can address one of the things that I have been working on and it's going to be one of the subjects of the meeting with my senior management this afternoon.

Mr Deputy Speaker, it is important that we have the body in place this week because environmental issues have been raised by others apart from the good Governor for Morobe. There was a very important question to the Prime Minister by the Honourable Governor for Gulf on how the waters of the Gulf of Papua have been contaminated by the discharge from both the Ok Tedi and the Porgera mines. This is a very serious issue that involves taxation so we put some money into those regulatory organisations. We cannot continue to ask and blame the loggers and others that we did not monitor them because we don't have the necessary funding. So, as a consequence of this series of questions and I'd like to thank the Honourable Governor for Northern Province for asking them because I hope that my

department can lend some concrete support so that we can be able to undertake our mandated responsibilities.

Thank you, Mr Deputy Speaker.

#### **DISTINGUISHED VISITORS –**

#### **MEMBERS OF THE ORO PROVINCIAL EXECUTIVE COUNCIL –**

#### **STATEMENT BY THE DEPUTY SPEAKER**

**Mr DEPUTY SPEAKER** – Honourable Members, I wish to acknowledge the presence of the members of the Oro Provincial Executive Council who are in the Speaker's Gallery. On behalf of the Parliament, I extend to the visitors a very warm welcome to the National Parliament.

#### **MOTION BY LEAVE**

**Mr Rainbo Paita** (Finschaffan – Minister for Finance and Rural Development) – I ask leave of Parliament to move a motion without notice.

Leave granted.

#### **LEAVE OF ABSENCE – HONOURABLE JOHN LUKE CRITTIN**

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

That **Honourable John Luke Crittin**, Governor for Milne Bay, be granted leave of absence for the duration of the Parliament meeting due to ill health.

12/10

#### **CIVIL AVIATION SAFETY AUTHORITY – ANNUAL REPORT, 2018 – PAPER AND STATEMENT – MOTION TO TAKE NOTE OF PAPER**

**Mr LEKWA GURE** (Rigo – Minister for Civil Aviation) – Mr Deputy Speaker, pursuant to stratus, I rise to present the annual report of the Civil Aviation Safety Authority for the year 2018.

*Civil Aviation Safety Authority –  
Annual Report 2018*

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

Leave granted.

Mr Deputy Speaker, I thank you for allowing me to deliver my statement on the Performance of the Civil Aviation Safety Authority of Papua New Guinea in 2018.

Mr Deputy Speaker, the National Aviation Policy Objectives on Safety is that Papua New Guinea must be a safe place to fly and that Papua New Guinea will implement all its international and domestic safety obligations.

Mr Deputy Speaker, to ensure that policy objectives are implemented, aviation safety regulation will be carried out with a high degree of independence from operators. The current legislative and regulatory framework for civil aviation has been enacted for consistency and certainty; benefits of regulation will outweigh the costs; it will ensure accountability of the participants; and it will undertake enforcement to maintain standards.

**Regulatory Function**

Mr Deputy Speaker, the regulatory function of a safety regulator involves identifying the desired policy outcome through consultation and research; determining the best method of implementing the policy and when necessary, developing appropriate rules to assure the outcome. The Civil Aviation Safety Authority of Papua New Guinea recognise this is a gradual process towards a tangible outcome and does not happen overnight.

**Importance of an International presence**

Mr Deputy Speaker, Aviation Safety is a global operation, across-borders, not isolated to one country. Further to that, those aviation challenges faced by the Pacific region differ to those in the Northern hemisphere and it is important these issues are represented and incorporated into the consideration of proposed international standards.

Mr Deputy Speaker, as a member State to International Civil Aviation Organisation (ICAO), it is particularly beneficial for PNG to maintain its presence at ICAO forums to collaborate with other States on common aviation related issues.

Mr Deputy Speaker, as the largest economy in the Pacific, PNG continues to be a strong advocate for the Pacific region at international and regional aviation meetings.

Mr Deputy Speaker, CASA PNG recognises the importance of leading the development of aviation safety in the region. This is reflected in its 2016-2020 Corporate Plan.

Mr Deputy Speaker, CASA's program of work has really taken off in 2018 and is continuing, thanks to the commitment of the CASA Board, management and staff and with the support of the Government.

Mr Deputy Speaker, the CASA Board continues to set sound leadership and governance and seeks to add value by holding management to account through informed, effective and independent oversight of performance and conformance matters. This independent oversight is to ensure the purpose and strategy are understood and implemented by management

Mr Deputy Speaker, the ICAO Audit team in 2018 noted the progress in the high quality of work that CASA has accomplished in improving its global safety rating which resulted in PNG achieving an international aviation global rating known as an Effective Implementation (EI) rating of 63.32 per cent that is above the Global Aviation Safety Plan score and furthermore above the Asia Pacific Region average.

Mr Deputy Speaker, in that context, CASA PNG has performed to expectation in 2018 fully meeting Government's statutory reporting requirements in the area of governance and financial reporting.

It has also operated within its budgetary allocated appropriation due to prudent financial management.

Mr Deputy Speaker, CASA has submitted its Annual Performance Report to the Office of the Chief Secretary and the CACC for the preceding 12 months (2017). It has also submitted its 2017 Annual Report to my Office in *accordance with Section 32 of the Civil Aviation Act*. CASA also completed the required four meetings of its CASA Internal Audit Committee meetings in 2018.

Mr Deputy Speaker, consistency in organisation performance continues to be shown by the Authority and this is demonstrated by the completion of the audit of the Financial Statements of CASA for the year ending 31 December for 2017 the results of the audit from the Auditor General has been laid before Parliament in March 2018.

13/10

### **Achievements in the Past 12 Months**

Mr Deputy Speaker, when the ICAO Validation Mission conducted its Audit of PNG in March 2018. The hard work put in by CASA Management and staff resulted in Papua New Guinea achieving an ICAO Effective Implementation (EI) rating of 63.3 per cent. This is a very positive result moving Papua New Guinea above the Global Aviation Safety Plan (GASP) and the Asia Pacific (APAC) Regional target of 61 per cent. The result also means we have achieved our Corporate Plan near term goal of obtaining above 61 per cent.

Mr Deputy Speaker, this result has also enabled CASA to progress from basic oversight functions or compliance based to risk management and analytical process to proactively identify and mitigate safety issues or performance-based oversight approach in accordance with the Beijing Declaration, amongst other initiatives stated in our Corporate Plan.

Mr Deputy Speaker, in the bigger picture in aviation safety, the positive Effective Implementation Result allows CASA to commence implementing State Safety Program (SSP) framework based on data collection as required under the Beijing Declaration, and in the longer-term implement advance safety oversight including predictive risk management.

Mr Deputy Speaker, the ICAO Global Aviation Safety Plan (GASP) and Global Air Navigation Plan set out regional expectations, priorities and targets for State to meet the Universal Safety Oversight Audit Program (USOAP) Effective Implementation (EI) range of scores in the Smaller Island States of the Pacific saw a compelling need for improvement and CASA PNG actively engaged in forging stronger regional cooperation, partnerships and engagement in this area.

Mr Deputy Speaker, in 2018, CASA reviewed twenty of its safety rules frameworks to enable PNG to keep up to date with the aviation safety and security standards that continues to evolve with the changing aviation environment.

Mr Deputy Speaker, CASA continued its engagement with aviation industry and stakeholders in 2018, both nationally and from within the region. This was further strengthened with the hosting of the 5th High Level Aviation Safety and Security Conference with the theme "Digital Technology, Aviation Connectivity and challenging Traditional Aviation Business Models".



Mr Deputy Speaker, the Annual Aviation Conference outcome is to improved consultation and strengthened partnership between CASA PNG and industry on how we can all use digital technology to change the way aviation does its business. Aviation is dependent on new technology and the theme generated a lot of thought-provoking discussions to moving away from the traditional method towards the digital age.

Mr Deputy Speaker, building organization capability to meet the expectation of the aviation industry and ICAO continued to be CASA's challenges and I commend the CASA staff for continuing to perform exceptionally well.

The various programmes, objectives and targets being pursued under the ICAO "No Country Left Behind (NCLB)" initiative to assist States in capacity building also assisted us in 2018.

Mr Deputy Speaker, the ICAO "No Country Left Behind" initiative aims to help Contracting States in capacity building in order to derive maximum social and economic benefits from aviation. This initiative has brought about paradigm shift in our focus from striving for individual State excellence to a scenario where we as partners need to cooperate and collaborate to bring about collective improvements in safety and security standards.

Mr Deputy Speaker, in 2018, this sense of cooperation and collective focus was established between CASA PNG and many of our smaller Pacific Island States and PNG stands ready to contribute to enhance the development of civil aviation within the region to address growth in aviation safety and security areas.

Mr Deputy Speaker, CASA like many other organisations is committed to providing relevant and continual training to her people.

**14/10**

Therefore, to maintain staff competency levels, 62.5 per cent of CASA technical and non-technical staff completed various training in 2018. This training follows establishing and implementing the CASA Training and Capacity Building Policy, the training program, training roadmap for aviation inspectors and the individual training need analysis.

Mr Deputy Speaker, CASA continues to implement its Graduate Scheme Program in the technical specialised area in flying operations and airworthiness. It currently has 6 pilots (4 females and 2 males) and two aircraft engineers (1 female electronic engineer and 1 male mechanical engineer) undergoing training with an airline under an arrangement which enables the graduate to gain experience and build up their flying hours.

### **2018 APEC Leaders Meeting**

Mr Deputy Speaker, CASA is part of whole of government approach involved in planning for the safe delivery of APEC 2018. In the area of safety and security, the Transport Sector includes the Department of Transport (DOT), CASA PNG, PNG ASL and NAC are members of the Committee on Safety and Security (COSS) dealing with this subject matter at the Strategic Level.

Mr Deputy Speaker, to ensure that CASA withstand any complaints in its preparation, it prepared a Risk Management Plan to assure the board that management are doing the right thing to manage risks and that risks management activities are embedded in the way things are done and to provide assurance that risks are being adequately managed.

Mr Deputy Speaker, in respect to the APEC Leaders Meeting in November, the Director of Civil Aviation issued an Instrument to Designate the Establishment of Temporary Restricted Airspace, Air Reservation East and West, and Air Defence Identification Zone (ADIZ) to enable operations associated with APEC to operate within this zone to ensure safety and security within the civil aviation system in the interest of national security and public protection.

### **Performance Agreement for 2018**

Mr Deputy Speaker, in accordance with Section 36 of the Act, the CASA Board submitted to the Office of the Minister, a Draft Performance Agreement containing the required contents for review. The draft agreement was returned to CASA and amended in accordance with the directions given by the former Minister, Honourable, Alfred Manase.

The draft performance agreement was then approved under Subsection (4)(a) of the Act which then constituted the performance agreement between the Minister and CASA Board for 2018.

Mr Deputy Speaker, I am happy to report that the CASA Board, were able to report to my office the achievements of the Aviation Safety Outcomes, Targets and Measures that the Government desired to which CASA must contribute in respect to safety performance of the aviation industry and areas where action needed to be taken by CASA

Mr Deputy Speaker, in the regional aviation scene, Papua New Guinea continues to show leadership in the area of aviation safety and security. PNG has held the chairmanship role within the Pacific Aviation Safety Office (PASO), a regional aviation safety oversight body consisting of 13 members from the Smaller Island States in the region for twelve years.

Mr Deputy Speaker, we are an important member of PASO and our leadership in the region demonstrate our credibility in this very highly technical and specialised field commensurate with us having an extensive aviation infrastructure including the number of aircraft that we currently have on our aircraft register and operating in PNG and abroad.

#### **Priorities going Forward and Beyond**

Mr Deputy Speaker, our ongoing strategies to recruit younger people into CASA aimed at addressing the need for aviation professionals in various fields and having adequate qualified and competent aviation professionals within the organisation is continuing.

Mr Deputy Speaker, there is still more work to be done as we progressively enhance our capability and our systems to achieve an Effective Implementation score higher or equal to the global average by 2022 to meet the Beijing Declaration.

I am confident this can be achieved earlier when CASA reviews its Corporate Plans to align itself with the MTDP 2018-2022.

Mr Deputy Speaker, recent aviation incidents during 2018 have highlighted how important aviation safety and security oversight is and CASA's mandate as a regulator. With this in mind, we continue to focus on strengthening and improving our regulatory systems including implementing State Safety Programme, and ensuring CASA is properly resourced to implement its key priorities.

#### **Conclusion**

Mr Deputy Speaker, the activities of CASA PNG in 2018 has again met the expectations of the Government. The aviation industry and the public in ensuring that safety and security is maintained and enhanced within an increasingly complex and challenging aviation environment. It is important that we have an effective and efficient organization because a safe aviation environment contributes toward social and economic development of Papua New Guinea and raises PNG's profile at the international level.

**15/10**

Mr Deputy Speaker, the functions of CASA are consistent with the Government Development Agenda and policy that PNG must be a safe place to fly. The key outcome of the ICAO Validation Mission of PNG is that only PNG beside Fiji has achieved and exceeded the Global Aviation Safety Plan target.

Mr Deputy Speaker, PNG's achievement in obtaining an Effective Implementation (EI) rating of 63.3 percent above the global average has resulted in the ICAO President

recognising our efforts and presenting us with the Council President Certificate award, which I had the pleasure of witnessing at the triennial general assembly of ACAO in September last year.

Mr Deputy Speaker, I commend the CASA's 2018 Annual Report provided by the Civil Aviation Safety Authority of Papua New Guinea and ask the Government to lend its support to this very important aviation safety and security agency.

Thank you, Mr Deputy Speaker.

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

That Parliament take note of the Paper.

Debate adjourned.

#### **MINISTRY OF BOUGAINVILLE AFFAIRS – UPDATE ON POST REFERENDUM ACTIVITIES – MINISTERIAL STATEMENT – MOTION TO TAKE NOTE OF PAPER**

**Sir PUKA TEMU** (Abau – Minister for Bougainville Affairs) – Mr Deputy Speaker, I thank you for this opportunity to update Parliament on recent developments with regards to the post-referendum and related activities in the Autonomous Region of Bougainville. It has been over six (6) months since I last gave an update on the situation in Bougainville. As you would recall, that last statement focused principally on the Referendum and its outcome, as well as the expected activities that were to take place during the course of 2020.

The consultation exercise on the political future of Bougainville was scheduled to start after the conduct of Bougainville's election, which was due to start in June. However, the unfortunate arrival of the Coronavirus or Covid-19 early this year, has caused the postponement of planned programs and activities. It is important, however, that we keep our people abreast even amidst the ongoing pandemic.

Mr Deputy Speaker, the Covid-19 has affected the implementation of decisions that were adopted during the Joint Supervisory Body meeting held in March this year. One critical issue was the creation of the Post-Referendum Joint Ministerial Consultations Preparation Team. This joint body was earmarked to lead the post-referendum inter-governmental consultation process.

After the arrival of the Covid-19, it was deemed impractical to conduct meetings face-to-face and, at the same time, having to deal with the travelling restrictions between Bougainville and the rest of PNG. The next best option was to have the two Ministers meet on virtual settings that is before teleconference facilities. They can have in-depth and detailed discussions, and then come up with decisions for consideration and action. A joint technical working group has been established to advise and guide the elected leaders in advancing the consultation arrangements. The joint working group is co-chaired by the Director of the National Coordination Office for Bougainville Affairs (NCOBA) for the National Government side, and the Secretary of the Department of Post-Referendum Consultation and Dialogue (DPRCD) for the Autonomous Bougainville Government (ABG).

Mr Deputy Speaker, in compliance with a JSB Resolution from March this year, the joint technical working group has developed a tentative post-Referendum consultation calendar. The working group has proceeded to faithfully carry out its responsibilities, and in particular by producing documents for the consultation exercise.

**16/10**

Among them are papers on Joint Consultation Ground Rules, Principles of Confidentiality for Members of the Consultation Team, Terms of Reference for the Moderator, Principles of Confidentiality for the joint Post-Referendum Secretariat, and joint Media & Communication Strategy for joint key messages. All these documents will be brought forward to the next JSB meeting for the Co-Chairs to endorse.

Between the two sides, a permanent Secretariat embracing eight positions has been approved by the National Executive Council to assist both the National Government and Bougainville in the consultation process. For now, the functions of the Secretariat are maintained jointly by NCOBA and the ABG's Department of Post-Referendum Consultation and Dialogue on a temporary basis until 2021 when funding allocations are provided with a structure that would be incorporated into the PNG Government system.

Mr Speaker, it is important that I reiterate what I have informed you about in the recent past in terms of arrangements that have been done in preparations for consultation. Between Government Departments, the National Technical Team (NTT) was set up well before the Referendum was held. It comprised staff mainly from the Central Agencies Coordinating Committee (CACC) and other government agencies with relevance to the present-day situation in Bougainville. The NTT is well-verse with the planned activities for

the consultation exercise. One critical area that the NTT is deeply focus on is the organisation of a Bougainville Economic and Investment Summit. This was on the agenda for the Joint Supervisory Body (JSB) during its meeting in March this year. The relevant Government Departments have been doing preparatory activities at the technical level. It was tentatively earmarked for late this year, but the presence of the COVID-19 has now caused a deferral to a possible date in 2021.

Mr Speaker, members of Parliament must have a balanced view on developments in Bougainville. It is sensible therefore for Members to have an audience with the Parliamentary Bipartisan Committee on Bougainville Affairs. This Committee is part of a program to do a possible one-off presentation to MPs sometimes in the near future. Additionally, a one-off National Consultative Forum is also envisaged for the PNG side where Members of Parliament, the public and representatives of organisation can meet to discuss the future of Bougainville and the wider Papua New Guinea. Then there are two special bodies that have been created by the National Executive Council to meet regularly during the consultation period. The National Advisory Body is the group representing the people of Papua New Guinea. It would comprise people from all walks of life. They are expected to stand together with elected

Members in handling this issue. Preferred or ideal members are being selected at the moment. Finally, there is the National Consultative Team. This is the group that comprises some Members of Parliament and public servants from the executive level who would interact directly with Bougainville representatives. They would be the 'mouthpiece' for Papua New Guinea. The Bougainville side has organised itself too with its own groups for the consultation process.

Mr Speaker, from my last presentation to this august body, you would recall that I stressed the critical role of Parliament in deciding the political future of Bougainville. Both the National Government and the Autonomous Bougainville Government can discuss the future of Bougainville. However, the National Parliament as the Supreme decision-making Body will have the last say on the outcome of the deliberations. I believe it is important that we understand and appreciate the two-step progression: a consultation process first, which is to be followed by the National Parliament's ratification process. I must add here that the relationship between the National Parliament and Bougainville's House of Representatives continues to be maintained at least at the working group level.

17/10

I hope that the dialogue by both sides would commence and progress with understanding from each side, respectively. Both should appreciate a 'give and take' relationship. It is here that I would like to emphasise something very important with regard to our relationship with Bougainville in terms of our Melanesian culture, and our Christian values. The Bougainville Peace Agreement was signed in August 2001 when there was still great mistrust and hardly any credible relationship between the two sides. From then onwards until the conduct of the Referendum, there has been an encouraging growth in the element of trust that now binds the two sides together. And allow me to say that not even the Covid-19 in the post-Referendum period will stop the reciprocal respect, tolerance, and harmony between the two sides, it is my hope.

Mr Speaker, that the National Government and the ABG reach a comfortable outcome from the consultation process that would then be presented to the National Parliament for discussion, and eventually for the ratification process while Parliament awaits the critical role that it is to play, I feel that it is appropriate for me to post (4) four critical questions for us to consider;

(1) Are we, as Members of Parliament and elected representatives of the people, well-informed about all critical phases of the history of Bougainville from the 1960s, including the origins of the Bougainville Copper mine as well as Bougainville's desire for self-determination?

(2) Are we fully ingrained in the issues that provoked the Panguna landowners in the 1980s, which in turn served as catalysts to ignite a conflict between the National Government and Bougainville in the 1990s?

(3) How much do each of us know about the important role and influence of the Bougainville Peace Agreement leading to the Referendum and its aftermath?

(4) And are we cognizant of the fact that the matter before us relates directly to the fabric of our national unity?

Mr Speaker, you may wonder why I am asking these questions. The reason, as you might have guessed, is that Parliament is expected to perform the decisive ratification exercise at some point. Therefore, it would be fair and sensible that all Members of Parliament are reasonably informed about the general background of Bougainville and PNG, the Bougainville crisis, and the implementation of the Bougainville Peace Agreement. It would

be unfortunate if Bougainville's referendum vote for independence is to be understood based on the conduct of the Referendum alone and recent related activities.

For that reason, I have asked the National Coordination Office for Bougainville Affairs (NCOBA) to produce a background paper on PNG, Bougainville, the crisis, and the post-conflict developments.

We must have a joint and parallel understanding of our national history. With such information as our foundation, we can proceed with confidence to engage meaningfully throughout the entire consultation period and arrive at an amicably fully Bougainville Peace Agreement align position before parliament exercises its authority.

Mr Speaker, the Covid-19 delayed Bougainville's election this year under a revised timetable.

Writs for the Bougainville election were issued on 17<sup>th</sup> June and nominations started on 18<sup>th</sup> June, polling commenced on 12<sup>th</sup> August until 1<sup>st</sup> September, counting started on the 2<sup>nd</sup> September and is expected to conclude on 14<sup>th</sup> September.

The writs will be returned on the 15<sup>th</sup> September.

A new Bougainville Government will be formed after these mandatory activities and the new president to be declared on 16<sup>th</sup> September.

Polling for Bougainvilleans outside Bougainville (BOBs) took place from 12<sup>th</sup> to 19<sup>th</sup> August in six (6) provinces; East New Britain, West New Britain, Morobe, Madang, Eastern Highlands and National Capital District. No challenges and problems were encountered, and ballot boxes were flown into Bougainville from 21<sup>st</sup> to 23<sup>rd</sup> August.

Polling for Bougainvilleans in Bougainville (BIBs) also commenced on 12<sup>th</sup> August and ended in late August. Polling in the three regions of Bougainville (North, Central and South) were completed on scheduled on 24<sup>th</sup> August. The Bougainville Electoral Commission however arranged special voting arrangements where BIBs who were not able to vote on the original scheduled times were allowed to cast ballots in Buka, Arawa and Buin towns. Otherwise, there were allegations of tempering with ballot boxes in Buka town. In reply the Bougainville Electoral Commissioner has verbally denied any wrong (doings)

**18/10**

In reply, the Bougainville Electoral Commissioner has vehemently denied any wrongdoings. He has called on candidates and supporters to refrain from spreading unsubstantiated information.



Mr Deputy Speaker, preparations have been done right now for the possibility of having a meeting between our Honourable Prime Minister and incoming new President of Bougainville. This is a meeting, tentatively scheduled to take place sometime in September to set the 2021 program on the consultation of the referendum result. It would be an important opportunity for our Prime Minister to congratulate the newly elected President and maintain the relationship to continue implementing the Bougainville Peace Agreement and further thank the outgoing President Honourable John Momis, who as we all know, has not only contributed immensely to Papua New Guinea but also in Bougainville during his two terms of being the President of the Autonomous Region of Bougainville.

Mr Deputy Speaker, we shall now await the final result of the ABG election on the 15<sup>th</sup> September when the writs will be returned.

I thank you all for your attention and may I wish you a happy 45<sup>th</sup> Independence celebrations next week.

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

Parliament take note of the paper.

Debate adjourned

**MINISTRY OF FOREST –  
ISSUES CONCERNING THE FORESTRY SECTOR –  
MINISTERIAL STATEMENT –  
MOTION TO TAKE NOTE OF PAPER**

**Mr SOLAN MIRISIM** (Telefomin – Minister for Forest) – Mr Deputy Speaker, I take this opportunity to make a statement on several important issues concerning the forestry sector to keep the members of Parliament informed of the developments that have taken place to date and new policy initiatives I wish to pursue within the next few months.

The forestry sector is one of the major revenue earners and a major contributor to the overall economic and social development of Papua New Guinea. Many of you are familiar with goods and services the forestry sector has immensely contributed to the

development of your respective electorates, especially in terms of much needed social services and infrastructure developments like; roads, bridges, education and health facilities.

Mr Deputy Speaker, the forestry sector is a renewable sector that will continue to facilitate Integrated Rural Development as it did over the last 45 years of PNG's Political Independence.

### **The Timber Industry**

Mr Deputy Speaker, the timber industry at the moment is predominantly log export oriented and is influenced by global log market conditions. The success of our forest industry is heavily dependent on influenced by the global log export markets of the buying countries. However, when the markets are depressed, many of the operations face economic and financial difficulties which in some cases force them to scale down and even shut down. Also, forestry is a highly capital-intensive business and covers extensive areas to extract logs let alone dealing with complex land tenure systems that exist in every cultural societies of the country.

Mr Deputy Speaker, this raises some serious concern for the stability of the industry and the long-term commitment of the investors. I therefore wish to take some policy measures emphasizing on forest replacement or reforestation and onshore processing or downstream processing which I will outline later in this statement.

The management and harvesting of the natural forest will continue to be the main activity of the forestry sector. Currently, there are about 68 sizable timber projects operating throughout the country

19/10

Currently, there are about 68 sizable timber projects operating throughout the country, which are making significant contributions in terms of infrastructural development and monetary benefits to land owners and the State.

These projects include; forest clearing for large scale agriculture under Forest Clearing Authority (FCA) and areas acquired under the Forest Management Agreement (FMA) and Timber Rights Purchase (TRP) arrangement.

A further 7.8 million hectares of potential natural forest management projects of various sizes have been identified for development. All forestry projects are allocated and developed in accordance with the requirements of the Forest Policy, 1991 and the *Forestry*

*Act, 1991*, as amended.

### **Log Exports**

Mr Deputy Speaker, there have been only one new large-scale timber projects initiated in the last 12 months.

East Awin in the Western Province has been a project delayed for a long time and we have launched this project in April 2020 with presence of the leaders of Western Province.

The existing operators exported about 3.8 million cubic meters of round logs in 2019; contributing about K407 million in direct export tax revenue to the government and a further K29.5 million in Log Export Development Levy (LEDL) revenue for infrastructure development in the districts where the logging projects are taking place.

The average log price is about US\$100 per cubic metres. The government would be urging the industry to improve on this through active price negotiations with their trading partners and promotional efforts.

China imports 85 percent of PNGs logs while the balance is imported to India, Vietnam and other countries in Asia.

### **Log Export Tax**

Mr Deputy Speaker, Log Export Tax has contributed significantly towards the national budget at varying rates determined by the economic circumstances of the country and region over the last 50 years.

In the 2020 budget in 2019, the Marape/Steven Government increased the export tax averaging about 50.2 percent on free on board (FOB) price from the last rate of 32.8 percent FOB, even with this increase and the negative impact of the Covid-19, the forest industry participants have exported quite a reasonable volume of logs during the first four (4) months of 2020 compared to the same period of 2019.

### **Remodeling of the State Purchase Option**

Mr Deputy Speaker, the *Forestry Act 1991* provides for the government to buy and sell 25 percent of logs harvested each year by the timber companies intended for export. This has not been fully implemented over the years.

The government will take necessary actions to remodel the SPO arrangements to generate additional revenue for the government under the current

structure and the revised structure of the Forestry Authority, whilst working on establishing a State Marketing Agency to fully undertake the SPO arrangements to manage the exports of processed forest products, certain percentage of the round log exports, including the different types of forest products for exports.

**New Submission on the Forestry Sector**

Mr Deputy Speaker, I want to announce to this honourable house and thank the NEC for the approval granted of four (4) of the total of seven (7) NEC submissions. These submissions were approved by the Forestry Board and they are before the CACC for clearance before NEC's Consideration;

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**(1) Timber Legality Standard (Approved by NEC in May 2020)**

This will be a National Standard recognising PNG Forest resources that are harvested from certified or legal sources dismissing international perception on illegal logging and trade.

This will be recognised by the National Institute of Standards and Industrial Technology (NISIT).

**(2) Reforestation and Afforestation Strategies (Approved by NEC in June 2020)**

This is a constitutional requirement that is not promoted. PNG needs more effort on this activity. This important strategy will promote the involvement activities for our resource owners to take ownership of replenishing their forest land and not converting to agriculture or bare land.

**(3) Downstream Processing Strategies (Approved by NEC in June 2020)**

Papua New Guinea has poor efforts in this implementation. The past government have failed to prioritise onshore processing of our high valued timber species. I thank the Marape-Steven Government for promoting the efforts and for this submission to take effect.

**(4) Revised Logging Code of Practice (Approved by NEC in June 2020)**

This good practice guideline is an incorporation of relevant regulatory Acts.

Multi-sector related to manage the operational activities for industrial harvesting timber operations. Its improved version through this revised submission is a clear indication that the forestry sector is serious about the way its business is managed to minimize collateral damage and permanent conversion of forest stand.

**(5) Amended Forestry Fees and Charges (CACC to endorse for NEC Approval)**

This submission has been overlooked by past government, my Ministry is concerned that the costs of managing regulatory operations have drastically increased but the fees and charges have not changed in the past two decades.

**(6) Re-modelling of State Purchase Option (SPO) (Yet to be approved)**

This is the main revenue business of the Forestry Sector. The State through forestry has envisioned an increase in purchasing harvested forest produce and administrating its potential to generate more income by utilising market pricing of the real market unit price of the different PNG timber exported.

**(7) Review of the Forestry Act 1991**

This important review is to underpin certain critical areas of the Forestry Sector. The review aims at identifying policy gaps, addressing changes to global responses to forest issues and adjusting to government directives of the sector.

**(8) Incentives for Genuine Investors**

This is to ensure we provide the best environment for investors that have the commitment for our people. For far too long, we have entertained so many investors, our people have been spectators. In promoting 100 per cent downstream processing policy objectives of our government, genuine investors will be allowed tax holidays for efforts on processing onshore products.

Mr Deputy Speaker, there are critical government policy and business papers that will definitely improve the sector and at the same time, improve the way we manage our forests for today and the future generation. Our Socio-Economic growth will have a positive impact where the mass population are rural within the vast forest resources.

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**LEDL Funding Assistance to DSIPs and PSIPs**

Mr Deputy Speaker, I bring again to this Honourable House, the interesting topic on the Log Export Development Levy.

This levy is from the Forestry sector and it gives much needed assistance to the provincial and district improvement program budgets. My Ministry is very concerned that acquittals for this assistance have to be done and submitted back to the Department before any new funding are requested. This is important for financial audits and accounting for public funds.

We acknowledge those who have acquitted and those who haven't must do so now. My team will continue to carry out random field audits to ascertain those reports reflect the findings on the ground.

#### **Log Export Monitoring and Surveillance Project**

Mr Deputy Speaker, the government since 1994, following the Forestry Reform has contracted an independent world re-known log export monitoring and surveillance company, SGS (PNG) Ltd, a Swiss Company to monitor log exports to prevent undervaluing of PNG logs.

The project costs about K5 million a year, to further strengthen the monitoring capability and ensuring the credibility of timbers leaving the shores of PNG, the PNG Forest Authority has developed a timber legality standard which is awaiting cabinet endorsement. The standard once endorsed will also have the potential of enabling PNG to diversify its timber export market.

#### **Foreign Donor Aid Projects**

Mr Deputy Speaker, Foreign Aid has played a significant role in the development of the Forestry Sector over the 43 years of Papua New Guinea's Political Independence; complementing domestic efforts. Support areas were in research and development and institutional strengthening and capacity building which were geared towards responsible forest management and utilization in PNG.

I wish to highlight some of the major aid donors and projects that they have supported in the recent past and projects that are currently ongoing;

##### **(1) Australian Aid**

Mr Deputy Speaker, the Australian Government has supported the Forestry Sector through its many aid programs consistently over many years. A project that was completed a few years back and is now nearing a role out phase is the Decision Support System Project. This project is aimed at ensuring reliable and accurate data are captured so that it enables accurate calculation of equitable benefit to stakeholders including landowners; addressing timber-legality issues and improving monitoring and surveillance of logging operations.

Mr Deputy Speaker, a couple of projects on enhancing wood processing has been concluded during the last two years; some of its conclusions are encouraging PNG to look into downstream processing of specific timber products and engineered wood. Currently a number of research-oriented projects relating to Sandalwood, thick wood and community

wood lope are being implemented with increasingly proving to be successful and are of great benefit to the rural communities in PNG.

- - The Provinces in which these projects are being implemented are Central, Gulf, East New Britain, Madang, Morobe and Eastern Highlands.

The total cost of these projects is AUS\$ 4.7 million.

### **(2) Japan International Cooperation Agency (JICA)**

Mr Deputy Speaker, the other major donor is the Government of Japan through the Japan International Cooperation Agency (JICA).

Significant number of research oriented projects have been funded over the last 30 years in the last six years.

Japan under its Forest Preservation Program through grant aid and technical support has funded forest monitoring projects which are proving to be beneficial, to strengthen sustainable forest management in PNG, at a cost of K21 million.

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### **(3) European Union (EU)**

Mr Deputy Speaker, the European Union (EU) is the other major donor, supporting the forestry sector.

The EU together with the UN-REDD Programme through the Food and Agriculture Organization of the United Nation (FAO) has supported PNG in the implementation of the multi-purpose National Forest Inventory (NFI) project, which is taking stock of the forest resources of the country and biodiversity as well as carbon in the soil and in the forests of Papua New Guinea.

The National Forest Inventory Project is funded at a cost of 7 million Euro. The project commenced in 2016 where only 7 Provinces of the country was surveyed and has ended in September, 2019 due to funding constraints. It was implemented through a whole of government approach where sectoral agencies, training institutions, provincial governments, NGOs and the landowners were involved.

This is a very important project that will provide credible data for our forests and related resources to assist in planning for sustainable development and sustainable forest management, thus addressing emerging issues such as, climate change and biodiversity conservation.

Provinces inventoried so far are Eastern Highlands, Western Highlands, Madang, Morobe, West New Britain, Oro and Central. As you can see, the majority of provinces are yet to be inventoried so I urge donors and the government to consider funding this project so that the provinces that have not been inventoried will be inventoried to provide data that will be reflective of the entire country which would assist PNG.

#### **(4) International Tropical Timber Organisation (ITTO)**

Mr Deputy Speaker, the International Tropical Timber Organisation (ITTO) is one of the active donors to strengthen PNG, pursue policies and programs that will achieve sustainable management of the forest resources.

PNG is a signatory to the International Tropical Timber Agreements, including the current agreement which came into force in 2008 and has actively participated in various decisions of this organisation as well as being Chair of the Committee and Council Sessions at a number of meetings of the ITTO.

A series of projects in the area of Research and Development have been implemented over the last 30 years through the ITTO. A project on Forest Law Enforcement and Governance implemented a few years back has resulted in the development of the PNG timber legality standard as I have mentioned earlier. The timber legality standard, while enhancing sustainable forest management will also strengthen the credibility of timber products leaving PNG shores. Two other projects relating to reforestation and community forest management are currently being implemented at a cost of US\$1.2 million.

At this point in time, PNG has not paid its membership fees to the organisation for two years in the running, which is affecting our active participation in the affairs of the organisation. I urge my colleague Ministers responsible for Foreign Affairs and International Trade and Treasury to identify funding to meet this obligation.

#### **Joint implementation of Donor Projects with other Agencies**

Mr Deputy Speaker, forestry is an Economic Sector, however as a government we are mindful of the consequences to the environment.

In this connection, the PNG Forest Authority works closely with the Climate Change Development Authority (CCDA) in implementing climate change mitigating and sustainable forest management projects funded by donor government and organisations.

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One of such projects is the Forest Carbon Partnership Facility (FCPF) project which is working hand in hand with the NFI project under the EU/FAO, which has resulted in developing PNG's forest reference level.

I am thankful to fellow Minister for Environment and Climate Change for his collaboration with these two important institutions of government.

Mr Deputy Speaker, there appears to be a strong connectivity that exists between donor governments and organizations as all donor projects tend to complement each other. As a government we wish to appreciate the support donors have provided to complement domestic efforts in achieving government goals and objectives on sustainable development.

#### **Policy Initiatives**

Mr Deputy Speaker, ban of Round Log Exports and Domestic Processing.

Mr Deputy Speaker, this government when taking office in 2019, it has directed that there must be maximum onshore processing of forest products in PNG. In progressing with this the government announced that by 2025, 50 percent of all logs harvested will be processed, currently 90 percent of the logs harvested are exported without being processed, recognizing the existing logging companies have permitted level of log export under their contractual agreements review of log export will be initiated to maximize processing through a phasing out approach. However, all new timber projects will be considered for 100 per cent processing. Increase in onshore processing of forest products is the policy of the government to create employment and facilitate the transfer of technology and encourage export of value-added products.

As highlighted earlier, the forest industry in PNG is predominantly log export as 80 percent of logs harvested are exported unprocessed. There have been a number of studies on downstream processing in PNG. The main conclusion drawn is that PNG cannot promote domestic processing due largely to high production cost and its competitiveness in the international timber market.

The government intends to revisit the issue of domestic processing of forest products. In this regard, National Strategy on Domestic Processing of Forest Produce is before cabinet for consideration to guide timber processing in PNG. The strategy amongst other things will create incentive packages and resource security to encourage domestic processing.

Mr Speaker, it is important that reforestation or establishment of forest plantation must be carried out in PNG as the natural forest is being depleted at a rate of about 160 000 hectares per annum.

Over the last 50 years, we have only established 60 000 hectares scattered throughout the country, these includes the plantations established by Stettin Bay Lumber Company in West New Britain Province and Open Bay Timbers in East New Britain Province and the states plantations in Bulolo and Wau being operated by PNG Forest Products Ltd. The logs for sawmilling and for export purposes are sourced from their plantations and therefore are sustainable. PNG need to establish more plantation estates to ensure a sustainable forest industry.

Mr Speaker, let me sound a warning that if PNG does not address the reforestation issue now, we will move from

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being a country with abundant timber resources to a net importer of timber from our neighbours. Harvesting of natural forest resources must go hand in hand with a program of reforestation by both the timber industry and landowners.

To pursue the Forest Resources Replacement Program, my Ministry has formulated a National Strategy on Reforestation and Afforestation to set a firm direction for forest resources replenishment activities in Papua New Guinea in view of the following important consideration;

- (1) Plantation development has the potential to create employment and generate revenue in the medium to long term thus contributing towards economic sustainability,
- (2) The natural forest is depleting at a faster rate posing a threat to biodiversity conservation;
- (3) Plantation forest has the ability to contribute towards mitigating the impacts of climate change;
- (4) There is a strong shift in global market from natural forest products to favouring plantation produced timber products;
- (5) Shortage of fuelwood in high population density areas and;
- (6) The government's policy to improve forest cover through the rehabilitation of degraded sites.

Mr Deputy Speaker, a number of potential reforestation and afforestation areas have been identified through the PNG Forest Authority's Program on 'Operation Painim Graun Planim Diwai'. Landowners have given positive support in this program and will be partners in plantation development in PNG, existing forest plantation and forest extension activities will continue to be improved and strengthened under the strategy.

#### **Review of Forestry Act.**

Mr Deputy Speaker, forestry issues are fast evolving and hence a number of emerging issues are confronting countries throughout the world on how the forest resources in the respective countries are to be managed and PNG is no exception;

The issues critical to PNG's forestry sector are climate change impacts, international timber regulations imposed by timber importing countries and forest certification as well as in strengthening other aspects of forestry legislation to allow for efficiency in implementing government policies. In this connection, my Ministry is in the process of reviewing the *Forestry Act 1991* in collaboration with the Constitutional Law Reform Commission or CLRC, stakeholders and other government agencies. The involvement of the sectoral agencies is crucial to ensure government legislation are complementary to enable swift implementation of sectoral policies to achieving overarching objectives of the government.

#### **Forestry Revenue for the Government during State of Emergency Lockdown and 60 Days extension period.**

Mr Deputy Speaker, in concluding my ministerial statement, I take this opportunity to commend this government for the actions and efforts made so far addressing the Covid-19 Pandemic.

I am pleased to report that the Forestry Sector was recognised as an essential revenue agency for the government during the SoE period. During the SoE period this economic sector generated more than K150 million kina in levies and tax revenues, regulatory fees and charges. This sector will continue to support the government's endeavours to maximise generation of much needed revenue.

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#### **Current Forestry Sector Report – August 2020**

Finally, Mr Deputy Speaker, the forestry sector continues to make its contribution in revenue generation, employment creation and the provision of essential infrastructure

development in the rural areas in partnership with relevant stakeholders especially our local people for sustainable management of this renewable resource sector.

Unfortunately, as I speak, the Forest Industry is in an alarming state of shutting down nationwide. It is a sad scenario, with loss of employment for the rural sector and revenue for the country.

It is a growing concern in the Forest Sector with the status of forest industry participants in regard to operational status on work performance and degree of compliance and impact of the new tax regime.

The level of compliance issues relating to logging code of practice and the satisfactory completion of project components on major infrastructure as per the respective project agreements are currently on average 40 percent to 59 percent.

Mr Deputy Speaker, the forestry sector is adversely affected since the increase of the Log Export Tax early 2020. We have already prepared a submission to the NEC to revert back to the previous log export tax rate because of the heavy negative impact it has on the cost of operation and production, trade market price and now global pandemic of Covid-19 in the country. Our observation on the monitoring of timber harvesting, log export and with the reports from our Forest Industry indicates a sad scenario with employment ceasing in sawmills and logging operations, cut down of 30 percent to 55 percent drop in production nationwide and slowly worsening.

Mr Deputy Speaker, operators have started to apply for Force Majeure to counter on the world market situation affected by the corona virus as well as the high log export tax of 32 percent to 59 percent.

Mr Deputy Speaker, all operators have laid off 90 per cent of their work force, expatriates and nationals since February, 2020 and assembling machines at their logging camps awaiting further instructions.

Companies who submitted Force Majeure applications were acknowledged and requested to provide their stumpage, log landings as well as their log pond stock for our evaluation and records, they were also requested to sort out all outstanding monetary benefits before their Force Majeure application can be considered.

Mr Deputy Speaker, some observations are as follows:

- Total number of projects in the country stands at 95 projects of which twenty (20) FCAs and seventy-five (75) Timber Permit projects.

- Almost 98 percent of all operations under Timber Permit and FCA Permits have scaled down their operation by 70 percent. They are now applying for Force Majeure to facilitate the scaling down and relaxing their TP & FCA permits obligation through the office of the MD.

- Its only Bulolo Plantations, Wipim Tapila FMA, Begere FMA, Varagadi FMA, Orman Lako TRP, Lako Imila LFA, Marshall Lagoon FMA, West Gadaisu TRP, Ulabo Tree Plantation and East Fergusson TRP are in operation just above 50 percent.

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Otherwise from observation they are likely to scale down in the next three to four weeks' time.

- Almost 50 percent of the Permit holders have lodged in their force majeure application and has been approved, whilst other 20 percent has been rejected due to outstanding monetary dues whilst the other 30 percent has indicated to submit within this month to relax their obligations under their respective permits and Logging and Marketing Agreements.

- In reality most of the projects logging operations are scaling down, with only export operations continuing to remove the log pond and the bush landing stock.

- It is estimated that we got about 1.5 million cubic meters of log stock (beach/bush) awaiting to be shipped as we speak.

- A good number of companies are applying under low grade due to the deteriorating conditions of the logs due to depressed log market situation currently faced. Cakara Alam (PNG) Limited is currently leading with almost 25,000m<sup>3</sup> already contracted and sold under low grade. SBLC 3,000M<sup>3</sup> and Mekar Limited 1000m<sup>3</sup>.

There are total of 25 processing mills are currently in active operation which includes; Momase - Madang Timbers, Amanab Forest Products, Amanab 56, Aitape Lumi, PNG Forest Products, Bewani Forest Products, NGI-East - Toriu, Illi-Wawas, Open Bay Timbers, Danfu, NGI-West -SBLC, Asengseng, Pacific Resource Development, Southern - Panakawa Veneer Mill, Kamusi Mill, Makapa, Wipim Tapila, Teredau, Unicorn, Woodland, Kupiano, Mata Brait, Saban Enterprise and Oro Wood. Oro Wood is non-operational currently whilst others are operational with just above 70 percent operational status.

**Loa Export Tax Regime and Revenue Forecast**

(1) the decision to increase the export tax in the budget session in November 2019 did not anticipate the COVID-19 pandemic, that has now compounded the issue of decreasing exports from the country, which was initially due to the trade war between China and the USA, that resulted in a 10 percent drop in log export volume of 4.2 million M<sup>3</sup> in 2018 to 3.7 million M<sup>3</sup> in 2019.

The COVID-19 pandemic will result in further decrease in log export volume moving forward and subsequently would result in drop in foreign export earnings, the export tax and other statutory and negotiated financial benefit payments.

(2) A comparison of the previous export tax rate relative to the new rate is included in table 1 (appendix 2) below. The weighted average increase is about 41 percent. At the top of the range of increases is 54 percent for (FOB) values between US\$100 to US\$149 per cubic metre.

(3) I want to seek a review for the export tax after six qualifying period as a result of representations from the Forest Industry Association (FIA) and other stakeholders, thus this submission.

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The log export business has not improved in these last few months because of the issues mentioned and so it is now timely to seek a review in the export tax from the current rate to a 32.5 per cent of the FOB in Kina across the board for all categories of logs to support the log exporters. This is the rate that was applied in 2018 and 2019.

(4) In Table 2 (Appendix 3), comparison is made on the estimated export tax revenue that was recorded for the months of January to May for 2018, 2019 and 2020.

Despite, the increase in the export tax rate for 2020 it, generally shows a continual drop due to decreasing volume of log export during this year.

(5) It must be noted that the export tax on round logs export is on production and not on profits, perhaps making Forestry the only economic sector that is being taxed on production.

It also begs the question on why should the log export sector be subjected to corporate tax, that is tax after declaration of profits, when the export tax is currently high at an average of 41 per cent and can go as high as 54 per cent of the FOB in Kina.

(6) On reflection and for general information Graph 1 (Appendix 4) below shows that between 2009 and 2019 the State earned on average K250 million in export tax revenue from the export of round logs per annum.

This is a direct budgetary contribution from the log export tax to the Consolidated Revenue.

(7) The current world markets for tropical logs are depressed and the log exporters are asserting that they are selling at costs. This claim may need to be validated but assuming that in the worst-case scenario and they do close down, the consequences may mean no benefits to the nation as a whole inclusive of the benefits to the landowners, the State and the economy as a whole.

(8) PNG may also lose the international tropical log export market share permanently. Once this is lost, it will be very difficult to regain it again as the wood processing infrastructure within the respective international markets will be altered to process temperate softer and smaller logs.

It is therefore important that the Government must support the log exporters to wait out the depressed world market due to the COVID-19 Pandemic and the protracted trade war between China and the USA.

(9) In support of the foregoing statements and in Table 3 (Appendix 5) below, it shows the export volumes for the months of January, February, March, April and May for 2018, 2019 and 2020.

Generally, there is continual drop in the log export volume in the months from January to May 2020 and that it shows a drop in volume for the same period in 2018 relative to 2019 and also 2020. The scenario may play itself out to a decreased volume export for 2020 and may result in a 20-30 per cent drop in log export volume for the year.

Log exports might drop by about 30-40 per cent against the volume exported in 2019. An estimated volume of about 2-2.5 million cubic metres.

The exports of other wood products concentrate on niche markets and are slowing but holding up against the current down turn in the world economy. The latter comprises a little less than 10 per cent of the total export earnings by the Forestry Sector.

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The total FOB could oscillate at the US\$250 million against US\$325 million in 2019, a potential and realistic drop of US\$125 million. The actual export tax amount recorded to the

month of May 2020 is K120 million. This may amount to over K400 million for the year 2020. This looks impressive but at the same time it is self-killing as keeping the export tax at a new high rate as per the *Customs Tariff (2020 Budget) (Amendment) Act* is pushing the log exporters out of the operations.

With that, thank you and Happy 45<sup>th</sup> Anniversary Independence for Papua New Guinea and this Floor.

#### **FORESTRY SECTOR – APPENDIX 1 – 6**

**Mr SOLAN MIRISIM** (Telefomin – Minister for Forest) – I ask leave of Parliament to table a document.

Leave granted.

*Mr Solam Mirisim laid on the table appendix 1- 6*

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

That Parliament take note of the paper.

Debate adjourned.

#### **MINISTRY OF HOUSING AND URBAN DEVELOPMENT – UPDATE ON MINISTERIAL PORTFOLIO – MINISTERIAL STATEMENT – MOTION TO TAKE NOTE OF PAPER**

**Mr JUSTIN TKATCHENKO** (Moresby South – Minister for Housing and Urban Development) – Thank you, Mr Speaker for the opportunity to present to this House an update on the Housing and Urban Development Portfolio, in particular, the agencies of government that drive this sector.

Mr Speaker, let me, from the outset set the tone of this brief by reading particular points raised with regard to the National Housing Corporation a few years back. And please bear with me as it is important that I recount these points. I quote, “the National Housing Corporation is a failed, insolvent and non-performing entity and has been for the last 20



years. Misconduct and failure within and by the corporation has resulted in current law suits against the corporation and/or the State. The National Housing Corporation systems of accounting and collections collapsed at least 20 years ago, the National Housing Corporation should be wound up and the *National Housing Corporation Act 1990* should be repealed. All managers and senior staff should be suspended and subject to deep enquiry concerning their respective roles in the collapse of the corporation, in particular, past board members.

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The National Housing Corporation has failed to:

- Manage any acceptable standard various Home Ownership Schemes;
- Comply with the *Public Finances Management Act 1995* or the financial instructions made thereunder;
- Comply or meet its obligations and duties under the *National Housing Corporation Act 1990*;
- Properly and prudently manage its own affairs;

The National Housing Corporation has failed to:

- Manage, maintain, keep or submit financial accounts and records as required by Law;
- Meet contractual and commercial obligations;
- Transfer properties to rightful owners;
- Identify or value properties;
- Obtain State Leases for properties under its control;
- Comply with Tax obligations for years;
- Properly and prudently protect the position of the State and exposed the State to liability thereby;
- Implement any Corporate Plan or accounting systems adequate to the needs of the Corporation;
- Perform Corporate Governance to any acceptable standard;
- Maintain any or any proper lines of command and control;
- Establish policies and management practices including control structures for the proper management of the NHC;

- Obtain or deploy adequate resources and competent manpower;
- Properly and professionally manage rental collection resulting in financial losses;
- Collect debts in a proper and timely manner;
- Apply to and obtain from the Department of Lands and Physical Planning lease titles for properties under its control;
- Comply with procurement provisions of the *Public Finances (Management) Act 1995*;

- Obtain approval for its organisational structure.

The National Housing Corporation has failed to:

- Maintain rental properties adequately or at all;
- Maintain any or any adequate control environment;
- Reconcile General Ledger accounts;
- Enforce the use of its Accounting Procedures Manual;
- Comply with budgetary controls;
- Comply with such Internal Control Policies as did exist in the Corporation;
- Used an inadequate accounting system;
- Maintain trade creditors properly or lawfully resulting in uncontrolled payments, double and over payments;
- Maintain accurate General Ledger accounts.

The National Housing Corporation has also failed to:

- Insure properties and assets thereby exposing the State to risk of loss and liability;
- Impose expenditure limits on signatories;
- Control improper dealing with properties under its control;
- Prepare and submit statutory accounts.

The Board of Directors of the National Housing Corporation failed to perform their duties in a proper and lawful manner. There are no or no adequate records of Board Meetings.

The NHC failed to keep adequate staff, salary, revenue, expenditure, tax, superannuation, bank account, cash management, corporate affairs, asset, advance, motor vehicle, property purchase, property identification, property transfer and virtually all other necessary or statutory records for the least twenty years.

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The National Housing Corporation tolerated failure and mismanagement and, the evidence shows, had no will to reform or change. The National Housing Corporation, like many of our other Institutions, has suffered from political appointments of utterly inappropriate persons to positions of responsibility and trust. The conduct of the National Housing Corporation is a national disgrace.

Mr. Speaker, these were the findings from the Public Accounts Committee's Inquiry into the National Housing Corporation in 2009.

Mr. Speaker, let me put to the Parliament that since these confronting findings in 2009, the last 10 years subsequently, have been found unfortunately much the same, culminating in over 30 years of abuse and malpractice in the National Housing Corporation by both tenants and clients of NHC and the NHC's most senior management.

Mr. Speaker, I will state without fear or favour, the previous Governments have watched these abuses continue, and in some instances, have aided and abetted the pilfering that went on at the National Housing Corporation.

Mr. Speaker, I will state for the record, that our people - NHC tenants and NHC clients are also very much at fault and part and parcel of the deterioration of this Sector. Rental Accommodation, both flats and houses and property earmarked for Sale have been used without any form of payment, either as rental or as a purchase of the property under various schemes. Clients and Tenants have seen fit to manipulate and manoeuvre amongst an already broken system to gain as much as they possibly can for as little as possible or nothing at all.

NHC Clients and NHC Tenants have often used corrupt officers, played on public sentiment and manipulated the judicial process to ensure that this 'free ride' lasts as long as possible.

Despite the warning signals presented and the numerous 'red flag' moments, in the last 10 years from 2009, the amount of unintelligent decisions, poor administration and management and rampant abuse of this sector and its agencies continued and every Minister, Board Chairman, Managing Director and Executive Manager watched, assisted and had no strength of character to do anything about it. It has been an absolute disgrace what has transpired.

This rampant abuse at the NHC will not continue under our Government's watch and under my tenure as the Portfolio Minister for Housing and Urbanisation.

Since 1968, there has been a number of directions and several Agencies of Government tasked with the function of delivering suitable housing in PNG's Urban and Town Centers, especially for Public Servants. These Activities focused primarily on constructing houses for government workers.

In January 1990, the Department of Housing, the Housing Commission and the National Housing Commission merged and the National Housing Corporation came to existence. All these different policy directions and agencies were merged by the National Housing Corporation Act of 1990 with good intent.

The National Housing Corporation (NHC) is a State entity of the Government with its clear functions set out in the NHC Act of 1990, primarily of which, is to implement the government's policies on housing.

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Mr Speaker, when Government provides housing to government workers in urban and town areas and the private sector follows suit by providing housing to its workers, you essentially create a lack of economic incentive in investing in residential properties, as seen before and in the first decade of Independence. So for a time, there was no real effort to drive a property or residential market and foresee the need to regulate the real estate development.

What overtook the good intentions that started NHC and the mandate of its predecessor organizations was an explosion in rural to urban migration over the years. Put that situation on top a lack of government initiative in urban planning foresight in our major urban areas and towns and we have now created a situation where demand has outgrown supply, and as we all can see, demand has outgrown our ability to foresee, plan and regulate development and the residential market in our major urban and town areas.

Mr Speaker, policy efforts to address demand, property ownership, proper planning and investment security has seen successive governments through the NHC, deliver several different "Housing Schemes" over the years and some of these continue to be managed by the NHC today. These schemes have had mixed results in achieving the intended outcomes in urban and town centres and have been plagued by a stream of controversy around the rules governing each scheme and the obligations of parties involved. In most cases involving controversial eviction exercises undertaken on NHC property, the transaction upon the property would be endorsed under one of these "Housing Schemes" and what would have transpired is one or all parties, either misunderstanding and not fulfilling their obligations

under the scheme or, one or all parties being crafty and/or fraudulent with the intention of gaining under the scheme.

These government "Housing Schemes" did allow for property ownership and uptake but it did not address in its entirety the regulatory vacuum that the real estate market operated in and the real lack of new housing land, new housing stock and affordable housing stock in the market.

Mr Speaker, again in 2007 in an attempt to address the housing shortages, the PNG government established the National Housing Taskforce or NHT. The NHT mandate was to study the housing problems and provide recommendations on a way forward. The NHT recommended that governmental housing agencies, such as the NHC, should focus on playing facilitating roles in providing housing, whereas the private sector should be directly involved in building houses. The recommendations were not adopted, and governmental agencies continued building houses for government workers.

Furthermore, the PNG government commissioned the Independent Consumer and Competition Commission or ICCC to review the activities of housing and real estate industry. The ICCC found that government housing agencies have had little success in providing housing for city residents, and that the high housing prices are triggered by inefficient and insufficient supply of land, and unclear government policy on housing.

**32/10**

Mr Speaker, in 2011, the government established the National Housing Estate Limited or NHEL, which was promoted to be a subsidiary of the NHC but legally had no direct link to the NHC other than a shared Portfolio Minister for Housing & Urban Development and the Managing Director of the NHC constituted to be a Board Member of NHEL. What triggered the controversy over NHEL or NHC relations and the conflicting directions both organizations took from then on was directly linked to this one misstep in the creation of NHEL.

NHC could not reconcile the Government's direction to "vest" up to 73 of its prime property assets to an entity that really had no legal connection to NHC although touted as a subsidiary. This one misstep was also exploited by tenants of these properties who refused to pay rent to an organization they had no binding tenancy agreement with.

Mr Deputy Speaker, having still no clarity with the ongoing disorientation in government housing policy and organizational disfunction from its key agencies, NHC

decided in 2013 and 2014 to launch a very large area housing program; the Duran Farm Housing Project, involving NHC and NHEL. At this time, Duran Farm and another affordable land and housing program in Gerehu 3B in 2015 was promoted to bring on 40,000 houses.

This figure was a gross misrepresentation by the Minister for Housing and the executives of NHC and NHEL at the time. Six years later, there is absolutely nothing to show for the Duran Farm Housing Project, other than a great deal of controversy and suspicion on what transpired over the years.

Duran Farm has no road, water, power, sewer line and proper completed house available to live in. Over K20 million was spent by the previous management of NHC on Duran Farm, on activities that did not put to market one affordable house, did not give to NHC one social or public housing facility.

Mr Deputy Speaker, the National Housing Corporation and the National Housing Estates Limited, as I have given details on, are organisations plagued with a legacy of neglect, mismanagement, corruption, laziness and exploitation.

Hard decisions need to be made to kick life back into the NHC and NHEL hard decisions to "take back" government agencies already trading insolvent by many accounts.

This is the state at which I have assumed the ministerial portfolio of Housing and Urban Development and its key agencies. There is no question about the considerable work at hand to salvage the housing sector and bring some light to such a critical component of our peoples' lives in our urban and town centers.

Mr Deputy Speaker, in the first 14 months of my tenure under the Housing and Urban Development portfolio, it has been critical for me to bring the organization itself back from the brink of insolvency and failure as stated.

Our plan forward from this time on was simple and we remain committed to three key steps going forward and they are as follows:

- (1) Organization Reform
- (2) Cost Cutting
- (3) Trading and Returning Value.

#### **Organization Reform**

Mr Deputy Speaker, step one and the most critical is organization reform. Both the NHC and NHEL as respective organizations grew to be too big in comparison to their output, and too complacent in delivering their mandate.

33/10

Since the start of the year, we have been downsizing and we will rid these agencies of lazy, corrupt and nonperforming workers, who have entrenched themselves in these agencies and have exploited the weakness and vulnerability of its management systems.

In the first eight months of my tenure as Minister and the tenure of our Government, we have removed over 70 staff with immediate effect and each month since then, have continued to weed out officers that do not perform and have an intention to sabotage the organisation for their own personal gain.

This step alone will have saved NHC and the Government over K5 million in unnecessary costs every year from now on

On Tuesday 15 October, 2019, the NHC Board endorsed the 2019 realignment structure. From a heavy 322 plus employees, the NHC has restructured itself through to an organisation requiring 219 positions currently. These positions have been advertised in early 2020 and the short list of applicants are being reviewed for the next round of interviews.

In our discussions with the Department of Personnel Management (and I would like to thank the then Minister and the previous Ministers for their assistance) we have realized that further actions can be taken to streamline key roles, and that number of 219 positions will be further reduced in the next 18 to 20 months pending all staff reviews

Mr Deputy Speaker, in 2006, the Structure of NHC had 80 positions. I am confident that is close to the number that can deliver our core business efficiently.

Long gone are the days that nepotism, favoritism, regionalism, bias and bribery controlled employment in these agencies. All applicants must be qualified for each role and that includes any and all current staff. If they do not have the appropriate experience or qualifications, they will find they do not have a space in NHC or NHEL and the housing sector going forward from 2020.

Mr Deputy Speaker, I have stressed time and again to the NHC executives, that we must never fail to realise that we are an agency tasked with providing a basic but critical service to our people in urban and town centers.

We are not an agency tasked to create employment and pay salaries, this is not our core function. So, if staff members of NHC or NHEL are not delivering or contributing to deliver on the mandated role of the agency then they are not to be part of the organization; full stop.

With this in mind, it was critical that we have recently been able to transition the majority of the NHC workforce to the Government Payroll ALESCO system. Managing payroll for NHC Executives, in past years, seemed to be the one critical deliverable over the course of each month and a cause great financial and organisational problems.

Mr Deputy Speaker, at this time let me elaborate on how I have realigned the National Housing Estate Limited (NHEL) to ensure it becomes more accountable and operates with full oversight from its parent entity – the National Housing Corporation (NHC).

In February of 2020, I requested the State Solicitor to clarify the glaring omission in the corporate make up of NHEL.

34/10

- (1) I asked if it was legal for NHC to hold shares in a Company.
- (2) I asked if it was legal for NHC to hold the shares in NHEL.
- (3) I asked if NHEL was a subsidiary of NHC, with all its property assets coming from NHC, then NHC should be the shareholder of NHEL.

All these questions were answered in the affirmative by the State Solicitor.

Mr Deputy Speaker, and suddenly 10 years of bickering and confusion as to the legitimacy of property transfers, corporate oversight, accountability, tenancy and lease obligations between NHEL and NHC are in essence answered.

We have found the way for both organizations to exist and to deliver the Government's directive of providing public housing and even better commercialise its assets to deliver better returns for reinvesting in public housing and affordable housing.

Mr Deputy Speaker, these decisions are simple and direct and executed in the best interest of salvaging these organizations and restoring the housing sector, starting from its most vulnerable areas within the organization.

#### **Cost Cutting**

Mr Deputy Speaker; this step is critical for all of Government and is sometimes a catch cry that really doesn't carry weight after each budget cycle.

But, in the case of the housing sector, from a time just post-Independence when five to eight houses were being built in a week using an assembly line of labourer's with hand tools, which were erected in a suburb in a few months; we have crashed down to inefficiency and squandering and we cannot rightfully pull ourselves back from the brink of insolvency unless we cut costs.



Mr Deputy Speaker, allow me to provide one extraordinary example of decisions that allowed unnecessary expense. The saga of Duran Farm is a fine example of just how an agency can expand and cost the State millions with near impunity for its executive management. Between 2014 and 2016, the executives of NHC decided to turn a branch of NHC into a civil works company and purchased heavy earth moving equipment without any business sense or consideration for the cost it would have on NHC's core function, let alone the cost to operational funds.

Six years later, with zero work to show, those machines lay idle and depreciate in value, the NHC paid a team of construction equipment drivers, labourer's and security for doing absolutely nothing.

Mr Deputy Speaker, you will be glad to know that this was the first element to cease in our cost cutting efforts, with all these workers stood down and all machinery assessed for tender sale and hopefully salvage some value from them.

Mr Deputy Speaker; we have stopped all unnecessary exposure and expenses and the executives of both NHC and NHEL continue to scale down all unnecessary spending like hire cars and unnecessary cost incurring staff meetings and functions.

We are currently looking at all previous contractual engagements for services provided to both agencies and it seems some of these engagements were 'word of mouth' and 'hand shake' agreements entered into for the benefit of a few in the executive and the senior leadership.

These unsolicited 'road side agreements' as I call them, have all ceased and we will no longer spend money on services like unnecessary hire cars and minor contracts.

**35/10**

It seems the promoters and perpetrators of these illegal agreements wave illegal invoices and claims, thinking that this will warrant them to get paid in any way possible. This kind of cargo cult business practice will cease and I have directed that they take whatever claims they have to the Courts to prove they have a legitimate engagement.

Mr Speaker, nothing is sacred in our efforts to streamline costs, we have severed unnecessary jobs, severed unnecessary work scope, pulled back on non-essential services and we have even demolished sample homes that drain unnecessary utilities costs from the Tokorara, Headquarters Facility.

Mr Speaker, all excessive spending and elaborate roles and extensions of our core functions that have cost the organizations money have ceased and we will continue to pull back on unnecessary spending and retain value for the organisation.

### **Trading and Returning Value**

This is the final step in our transition, the National Housing Corporation to its subsidiary, the National Housing Estates Limited has started to consolidate all its assets and enforce all its standing agreements to draw all revenue available to them both. Both organisations have begun this exercise and will look to slowly continue this in 2020 in light of the current crisis.

Both NHC and NHEL need to start trading and performing their mandated functions, undeterred and unhindered. This is extremely important.

We need to start collecting rent, we need to start acting on defaulting tenants, we need to cancel property purchase offers that have not been executed, and we need to start delivering our mandate of public housing. There is no magic handshake from Government in these hard times and I am certain, we cannot be expecting each budget year for a bailout for the housing sector. 'We need to trade ourselves back to solvency.'

Mr Speaker, let me make it clear to all tenants and clients of both the NHC and NHEL that you have entered into a binding agreement and it is time to start honouring that agreement. The housing sector agencies will come knocking. We cannot continue to hide behind names, friends in the agencies, politicians and time consuming legal arguments anymore.

There are fair and hardworking people in NHC and NHEL properties who continue to meet their housing obligations to both agencies, and there are fair and hardworking people who continue to wait for public housing, subsidized housing and affordable housing while paying exorbitant amounts of rent in our urban and town centers. It is just not fair!

Mr Speaker, people get away with living freely in NHC and NHEL properties and I must put it bluntly, "your time is up!"

On that same token, let me warn unscrupulous individuals who prey on our low income tenants and manipulate our corrupt agency workers, 'your time is also up!'

Mr Speaker, part of our return to value is a reassessment of our business agreements and tenancies and reclaiming property lost by unscrupulous individuals through fraud or misrepresentation, reclaiming property lost to squatters and reclaiming property lost to illegal developments.

We have evicted several business houses from NHC properties already and we are going after surveyors who illegally subdivided NHC property and forged letters of authority.

36/10

We have been working with the Department of Lands and Physical Planning (DLPP), to retain lost properties and we are reviewing, purported sales of NHC properties without any proper documentation to prosecute any illegal actions taken on these sales and retain NHC property.

Unfortunately, Mr Speaker, there have been some developments on NHC land that have gone unchecked and have been allowed to proceed unknown to NHC and the Urban Development regulators. These developments hold no value to NHC and more importantly, have become health and safety issues that can no longer go unattended to. NHC has made several inspections and tests with regulators, who have issued legal orders to demolish and negate the health issues that exist within.

As I have stated, Mr Speaker, we do not have the luxury of waiting and watching any more in the Housing Sector. We must return our agencies to solvency in the most efficient way.

I am also stating on the record here in Parliament that nearly K30 million in revenue is owed to NHC, monies which over time been paid directly to the Department of Finance from rentals that should have come to the NHC. The technical issues around this are well documented, between the NHC and the Department of Finance. I have pursued this with the Secretary for Finance and will take this up with the Minister for Finance and with the Prime Minister, for further intervention.

You cannot cry out and point fingers at the NHC that it is an organisation, gasping for air when you are holding its throat with your other hand. If the organisation is owed this funding; if the tenants have paid this under their legal tenancy agreement, then allow NHC to use this funding to do its job like the staff knocking on doors Mr Speaker, I will also be knocking on the doors of Vulupindi for what is owed to the Housing Sector.

Mr Speaker, while we door knock on our existing tenants and clients, we do need to provide new housing stock and urban subdivisions and residential land to the market. We cannot push back on the housing sector problems any longer, as the problems and short falls compound each Parliament cycle and each Government.

Affordable housing has long alluded the housing sector, despite the Governments many efforts to enter the fray and come up with the solutions. We now have a chance to learn from a decade of missed opportunities and lessons learnt to put some tangible results in place.

Critical to this is the realisation, that as articulated by the National Housing Taskforce in 2007, the Government agencies should as much as possible remain out of actual housing development and allow the Private Sector to bring competition and innovation to housing market demands. Yes, we have a role to play in providing public housing for low income workers and we have a role to play in Policy and Regulations to bring affordability, quality and reliability to the housing sector. But, let us bring proper partnerships that deliver the intentions of affordable housing, public housing and Government housing.

Mr Speaker, having understood the illegalities and commercial vacuum upon which the Duran Farm Housing Development was founded upon, we have sought council from the State Solicitors Office and the Department of Finance to ensure that we proceed to develop partnerships and a way forward, based on correct procedures of procurement and rules surrounding government and private sector partnerships.

37/10

We have overcome the illegalities that plagued this development and have set a course to bringing this development back on track with the right protocols and procedures in place to ensure confidence in the development.

We have sought expressions of interest to form the partnerships and we look forward in formalising partnerships on Duran Farm going forward. The Duran Farm Project, Mr Deputy Speaker, is only one of many around the country in our urban and town centers and the Housing Sector can bring online if we can find the right development mix that suits.

I have tasked the sector to bring forward development models that will alleviate the end of affordability of houses. These options range from tax breaks, regulatory approvals, development partnerships, infrastructure and utilities funding options and others.

Mr. Deputy Speaker, the Parliament will be pleased to know that we will be identifying up to 20 possible areas of development to initiate this upon very soon once the incentive options are finalized.

Mr Deputy Speaker, not only, are we looking for a way forward for Affordable Housing and enabling the release of Residential Land to market. This is the opportunity to stimulate the Housing Construction Sector in a large way for a few years to come. This is an

opportunity for construction sector jobs to be created and for us to see the ripple effect in our economy when service and retail sector jobs increase due to this type of large scale construction initiated by Government incentivizing and stimulating Housing Construction and the Housing Sector.

Through prudent and calculated work, Mr. Deputy Speaker, we have clawed our way from a desperate situation at Duran Farm to a platform where we can kick start real jobs at a large scale, which means employment and income and growth for our economy and in his time of crisis and economic downturn, this is the type real action my Ministry and this Government is introducing.

Mr Deputy Speaker, we have initiated a good working partnership with the Department of Lands and Physical Planning and although the Covid-19 crisis situation has limited our progress, we hope to start putting together a real and current asset registry in major centers very soon. All staff in the Provinces have been asked to furnish a preliminary list of Housing assets and this will be checked off and compiled to verify with the Lands Department.

As we did in the Department of Lands, I have sought the aid of development partners and local information software solutions to put in place a record of information management system that is current and updated.

**38/10**

It is a sad fact that NHC has lost the ability to track and maintain all its assets but over the next 20 months we are sure we can bring credibility to the information and asset registry and bring real time asset values to the agencies in order to make sound housing policy and commercial decisions.

Mr Speaker, as you can see the approach to finding the right development framework for public housing, affordable housing, incentivizing housing and freeing up residential land is measured and guided by the right protocols; so we provide our people the right tools and opportunities in the housing sector for the long term.

Mr Speaker, I have outlined a 3-step approach that is simple and ensures the housing sector assesses its legitimacy and service delivery in light of some real organizational legacy issues. I am approaching these legacy issues head on as this is the only way to find a quick solution forward that salvages the key agencies of this sector, the National Housing Corporation and the National Housing Estates Limited.

This Parliament must remember, I took over agencies that were trading insolvent and a sector plagued by a reputation of abuse and corruption. With the right executive team in place, with the right and lawful advice and guidance from our partners agencies of Government like the Department of Lands, the Office of the State Solicitor and the Departments of Planning, Treasury and Finance, we are working towards the Housing Sector being the only sector talking about stimulating construction industry to turn spending, turn employment and slowly by surely be part of turning our economy forward.

Mr Speaker, once again, thank you for the opportunity to provide to this Honourable House an update on the Housing and Urban Development Portfolio.

There is a long way to go to turn this critical area of government around and I am confident in the direction the sector has turned towards. Tough decisions have been made and still need to be made and forthright directions are to be executed in order to turn the decades of abuse, neglect that this sector and its agencies have seen.

Thank you, Mr Speaker.

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

That Parliament take note of the Paper.

Debate adjourned.

**MINISTER FOR INFORMATION AND COMMUNICATION TECHNOLOGY –  
HIGHLIGHTS OF CHALLENGES AND RECENT INTERVENTIONS –  
MINISTERIAL STATEMENT – MOTION TO TAKE NOTE OF PAPER.**

**Mr TIMOTHY MASIU** (South Bougainville – Minister for Information, Communication Technology) – Mr Speaker, thank you for this opportunity to speak on the Floor of Parliament. As a first time State Minister, I am indeed honoured to be given this first time opportunity by this Honourable House. Please allow me to express on behalf of my people of South Bougainville and the Autonomous Region of Bougainville our profound gratitude and appreciation to Prime Minister, Honourable James Marape for appointing me as Minister for Information, Communication Technology.

39/10

When I resumed office on 14 November 2019, I immediately called a sector meeting to which I invited key agencies. This included my Department – the Department of Information and Communication Technology, the National Information and Communication Technology Authority, the National Broadcasting Corporation, Telikom PNG, Digicel PNG, and PNG Data Co.

Mr Deputy Speaker, the purpose of the meeting was to establish a clear understanding of the challenges faced by the ICT Sector. I chose my hometown, Buin, in South Bougainville as the meeting location, where the only semblance of ICT presence is a Digicel tower. Then this tower was down for whatever reasons, my people of Buin were cut off from the rest of the Autonomous Region of Bougainville and the country as well as the world. Choosing Buin was deliberate as I wanted to remind the group of senior executives of the everyday telecommunication challenges facing our people especially the rural population. I also want to remind the senior executives of our duty to derive policies and implement projects that will better serve our people.

Mr Deputy Speaker, what emerged from the meeting was an encouraging list of actions that were turned into interventions which I would now like to highlight.

#### **Telecommunication**

Mr Deputy Speaker, firstly, let me speak on the telecommunication market and the associated efforts of NICTA and the Department of ICT.

The National Information and Communications Technology Authority is our agency responsible for the regulation and licensing of ICT. NICTA was established on the 29 October 2010 as the sole converged regulator and licensing authority in the broadcasting, radiocommunications, and telecommunications domain.

The aim of the National ICT Act 2009 is to ensure the ICT industry contributes meaningfully to the long-term social and economic development of PNG in-line with national goals and directive principles and the basic social obligations of the constitution.

It aims to promote open competition in the ICT sector whilst ensuring that the prices are not only sustainable but also affordable.

#### **Ministry Interventions in Telecommunication**

Mr Deputy Speaker, a key service delivery program run by NICTA is the Universal Access Service Program with an underlying intention of bringing ICT services to not so

commercially viable areas of Papua New Guinea. To make the UAS work, NICTA collects an annual levy across all operators and uses this to address connectivity issues across the country.

Mr Deputy Speaker, pursuant to the National ICT Act 2009, I recently approved four categories of UAS projects for 2020. Unfortunately, the implementation of these projects was temporarily delayed because of the Covid-19 pandemic. However, this year we are seeing the roll out of new ICT services covering a further 130,000-plus people with 4G services; amongst other targets. These projects cover a mobile broadband network upgrade from 3G to 4G; community and institutional broadband networks; ICT platform for future growth; an extension of broadcasting network coverage for a period of two years with sustainability plans to be put in place thereafter.

Mr Deputy Speaker, since 2014, a total of five major infrastructure projects both voice and internet have been delivered under the UAS program in all twenty-two provinces in the country. The project is worth approximately PGK42 million and will benefit more than 1.6 million users.

40/10

Some of the projects are highlighted here in 2017, under the 'connect the schools projects' eight teachers colleges or an average of K200 – K300, 000 per college were connected and equipped with computers.

These colleges are as follows: Madang Teachers College, Gaulim Teachers College, Dauli Teachers College, Holy Trinity Teachers College, Enga Teachers College, Melanesian Nazarene Teachers College, Balob Teachers College and PNG Education Institution.

In 2019 to 2020, under the same UAS project the following secondary schools were connected and fitted with fully operational computer laboratory: HAM Wood point School in Central Province, Koroba Secondary School, Dregahafen Secondary School in Finschaffien, Maprik Secondary School in East Sepik and Buin Secondary School in the Autonomous Region of Bougainville. Other keys ongoing projects under the UAE includes; upgrading of 3G to 4G, E-agriculture to connect the farms.

Mr Deputy Speaker, let us also recognise the telecommunications wholesale and retail markets. Which has truly come a long way since the inception of the National ICT Act 2010. Many will recall that there was no competition in the market 15 years ago, when mobile phone services were introduced in PNG.



Region of Bougainville. Other keys ongoing projects under the UAE includes; upgrading of 3G to 4G, E-agriculture to connect the farms.

Mr Deputy Speaker, let us also recognise the telecommunications wholesale and retail markets. Which has truly come a long way since the inception of the National ICT Act 2010. Many will recall that there was no competition in the market 15 years ago, when mobile phone services were introduced in PNG.

Minimum top-up purchase was K20 and could only be found at limited locations. Voice rates were at an exorbitant K1.60 per minute, and internet rates were going for K2 to K3 per megabytes.

Mr Deputy Speaker, this change when the *National ICT Act* ushered in competition and the telecommunications retail market currently consists of three main players: Digicel PNG and the two SOEs Telikom PNG, and BMobile.

Competition over the last 10 years has seen voice and internet rates fall progressively. This is the reason why many citizens are today using mobile phone services frequently. We have also seen the introduction of online top-ups, transfer of call and data credits capability, services packaged in plans/passes/combo; just to name a few.

In terms of infrastructure, we have an estimate, 2000 plus telecommunication and broadcasting towers giving us a broadband reach of close to five million citizens. I must note that approximately 450 towers are down due to vandalism which is a growing matter of concern for my Ministry and country. Out of the active towers, we have just under 3 million mobile users.

Mr Deputy Speaker please allow me this moment to recognise a person who, after over 20 years of acting as a pillar for the ICT Sector, will retire this year.

I am talking about none other than Mr Charles Punaha, the outgoing Chief Executive of NICTA. As Mr Punaha makes his formal exit due to the compulsory age retirement, I take this time to thank him for his distinguished and decorated service to the ICT sector and the general development of this great nation, PNG. As a fellow South Bougainvillian like Mr Punaha, it is both gratifying and humbling that I would usher him out officially as the Minister responsible for the ICT sector. Charles, we would still retain you at NICTA but the law being as it is, I am proud of your achievement and wish you and your family all the best as you transit into retirement.

41/10

Mr Deputy Speaker, while there has been progress in the last decade, I note that the telecommunication market-share is between two key operators: Digicel at 91 per cent market-share, and; Kumul Telikom Holdings Limited at 9 per cent market-share.

Mr Deputy Speaker, this market share is a clear indicator of unhealthy competition and it limits the market from driving further reduction of prices and also improving service delivery that our people rightfully deserve. Healthy competition is essential, and this can only happen in two ways:

- (1) Either, Telikom PNG and BMobile are merged and reformed or
- (2) An additional operator is introduced into the market.

Mr Deputy Speaker, I take this time to commend the efforts of my colleague Minister for Public Enterprise, Honourable Sasindran Muthuvel. I know that it has taken time to come to this point in time where he is ready to push the proposal to integrate our state-owned networks.

It also comes off the back of the strategic direction taken by our Ministerial Committee for SOE Reform under the leadership of the Attorney General and Deputy Prime Minister Davis Steven. The ministerial committee has endorsed the SOE Reform Policy; a policy which will address governance of all SOEs.

The other aspect of course is bringing in a third retail operator. NICTA has issued a license and my Ministry will ensure that the third operator takes its place within the market as a testament of our commitment to promoting open competition.

Mr Deputy Speaker, these are massive steps taken to enable effective competition in the telecommunication retail market and to consequentially push for better services for our people.

Mr Deputy Speaker, ensuring affordable telecommunications services remains a priority of the government and in this connection certain wholesale telecommunications were declared imposing additional regulatory obligations on the suppliers of those services in the interests of developing a more competitive telecommunications sector in Papua New Guinea.

These services are:

- Wholesale broadband capacity services provided via optical fibre transmission, which includes those supplied on Data Co's terrestrial fibre optic network and the new national submarine cable network that is currently being constructed; and
- International submarine cable transmission capacity services

On 1 December 1973, the ABC handed over NBC to our pre-Independence Government. NBC has been with us since the formative years and today it remains as an iconic state-owned institution.

Mr Deputy Speaker, the National Broadcaster still has infrastructure and staff in 19 provinces and NCD. We recently established our presence in the newer Jiwaka Province and we are constantly in dialogue with the Hela Political and Provincial Administration to set-up there. After, sending our technical staff up to Tari to identify the preferred office and broadcast sight

### **Ministry interventions in Broadcasting**

It is no secret that the state of existing NBC infrastructure and facilities both at the headquarters and the provinces have been in constant decline and disrepair since 1973. A number of our provincial offices and studio complexes were even condemned by the respective provincial health authorities and remain half used or closed for many years.

I would know because I was an NBC Officer then an NBC Board Member and Deputy Chairman.

Our short and medium wave transmitters have ceased to operate for more than 20 years due to neglect. Another turning factor was the global shortwave manufacturers were ceasing operation and spare parts were becoming harder to source from them.

42/10

Mr Deputy Speaker, this Honourable House will recall, I once described NBC as living on life support, rather, than being in despair. I implored the NBC Board to help me bring this iconic institution out of the ICU and on to the road to recovery.

Since that 'wake-up call', we have officially re-opened three NBC offices and studio complexes in the provinces. These are NBC New Ireland, NBC Morobe and NBC Gulf which were earlier condemned by their respective Provincial Health Authorities. These much needed renovations were made possible through the provision of K1.5 million, in the 2019 PIP Budget for NBC and I would like to thank the Minister for National Planning, the Secretary and the Department.

Last week, the NBC Project Steering Committee screened all Public Tenders for the major renovations of NBC Enga, NBC Western Highlands, NBC Madang, NBC Western Province and NBC East New Britain in 2020. These are to be undertaken through the 2020 PIP Budget for NBC.

Mr Speaker, I have also directed the NBC Board and management to enter into a Memorandum of Understandings (MoU) with all provincial governments as soon as practical. I say this because I am convinced that the provision of essential development radio and television services should be a shared responsibility.

Mr Speaker, NBC is present in all provincial capitals so it make sense for the provincial administrations and the local stations to share the burden of sustaining these stations. My intention is for the MoU's to reflect the responsibilities of both parties, maybe NBC to keep paying the fortnightly salary and wages for its 13 staff in each province and the logistical cost of constant gathering. The provincial administration could be expected to meet the expenses of some major infrastructure like transmitters, annual renovations of offices and studio complexes and staff housing.

I am happy to report that the West New Britain Provincial Government was the first to sign a MoU with NBC. Under this MoU, the West New Britain Government will continue to provide K100,000 under its recurrent budget towards NBCs daily operational expenses. They will also purchase a 10 kilowatt Medium-Wave Transmitter to be installed by NBC in Kimbe, which should provide coverage for the entire province before 2020.

I hope that shortly I will be announcing the signing of Mou's with the provincial governments in East New Britain, Central and Morobe Provinces. I know that other governors have approached myself or the NBC Board Chairman and I encourage you all to see the managing director of NBC to fast track these collaborative arrangements.

Mr Speaker, I have also instructed the NBC Board and Management to fast track the re-introduction of Medium Wave Transmission into the country. I am happy to announce that this week, in Goroka, Eastern Highlands Province, NBC paid for the passage and installation of a 10-kilowatts, Medium Wave Transmitter. The Managing Director of NBC and his Deputy have also returned from inspecting the Fimito Transmitter sight in Goroka so work should begin in the earliest. There has been some landowner issue around that area but I know that the Governor of Eastern Highlands is aware of it and we are in discussion to come to a compromise.

We are hopeful that we can complete before the end of 2020, so that this Medium Wave Transmitter can provide added national radio coverage to the entire Highlands Region, Morobe, Madang and parts of the Gulf Province.

Mr Speaker, all radio transmitters are currently on air and mostly on FM transmission except for NBC Southern Highlands and NBC East Sepik. The Mendi Transmitter was

suspected of being faulty however our technicians have isolated and ruled this out and are now tracing another fault amongst the studio equipment.

**43/10**

The Wewak site is dependent on the main town power grid, much like all other provincial stations. NBC East Sepik restored to the nearby generator when the main town power supply was cut off, by a fallen tree. Broadcast hours are now quite limited due to shortage of fuel supplies.

Mr Deputy Speaker, our Medium-Term Development Plan requires NBC to deliver 100 percent radio and TV coverage by 2030.

On current Ministry, Board and Management interventions with particular focus on medium wave transmitters will go a long way in realising this national development target.

Mr Deputy Speaker, during the Covid-19 State of Emergency early this year, NBC was at the forefront informing our people across the country and especially in the rural areas about the pandemic.

Many of us conveniently forgot that NBC has the potential to reach of over 4.5 million listeners daily. Covid-19 gave NBC the opportunity to demonstrate what it is really good at doing:

It was a timely reminder of the value and importance of the NBC in disseminating health messages and awareness information right across the country of ours.

Mr Deputy Speaker, as the Minister responsible, I will ensure that for the sake of our people, NBC will not only maintain its presence; it will also continue to extend its services particularly to other districts and wards in the country.

#### **Interventions in Covid-19 Response**

Mr Deputy Speaker, speaking of Covid-19, I would also like to take this time to inform the House that the ICT sector was also at the forefront of establishing and maintaining Covid-19 response information and communication support before, during and after the State of Emergency.

- Firstly, the website [www.covid19.info.gov.pg](http://www.covid19.info.gov.pg) which was established by the Department of Communication and Information Technology, days before the SOE declaration with currently over 32,000 visits every month since SOE declaration on 22 March 2020,

- Also within 72 hours of the SOE declaration, Telikom PNG, DataCo, and Digicel PNG setup voice and data services at the National Operations Centre for the Office of SOE Controller, and Joint Agency Task Force,
- NICTA also allocated toll free numbers,
- Digicel and Bmobile broadcasted Covid-19 messages through SMS blasts in real time nationwide,

Let me take this time to recognise other operators and service providers that played and continue to play key roles in awareness; and these include EMTV, Kalang FM, PNG FM, and Lalokau FM.

Mr Deputy Speaker, during the SOE, you will be aware that Cabinet endorsed the Ministerial Covid-19 Committee for Communications and I was the chairman. It is through this Committee that most efforts mentioned were initiated.

At this juncture, let me make it clear that in undertaking awareness, I made specific efforts to minimize on major budget implications as most costs incurred by operators relating to the Covid-19 response efforts initiated by the Ministerial Committee were settled through outstanding UAS Levy liabilities.

#### **Overall Challenges in ICT**

Mr Deputy Speaker, in terms of overall planning for 2030, we plan through the Development Strategic Plan for;

- 800 mobile subscribers for every 1,000 persons,
- 70 percent of the population to have access to or use the internet; and
- All Papua New Guineans to have access to digital radio and television.

44/10

Mr Deputy Speaker, accepting that technology continues to evolve, and given the information and communication opportunities offered by radio, television, mobile, and web-based platforms; we are again reminded of the importance of well-coordinated procurement and proper use and maintenance of ICT assets within the public service.

We have learnt that:

(1) Covid-19 in particular has reminded us of the challenges of emergency response and appropriate information dissemination particularly at disaster-prone and border regions. Aging broadcasting infrastructure across the country and particularly in the said areas is a growing challenge.

(2) With mobile phone technology and Internet access, our people are not only enjoying the freedom to comment on various issues; but our country faces instances where nameless people or organizations are also spreading lies and inciting hate. I am referring to abuse of faceless social media account that are used to spread false information.

In addition to promoting free speech, we need to invest in technology and skills so that our Police Cybercrime Unit is able to gather evidence and Police Prosecutors and the Public Prosecutor are able to confidently prosecute people who use computers, and mobile phones and the Internet to commit criminal acts.

(3) Cybersecurity, data governance, and standards surrounding digital services within the public service are nonexistent leaving our national ICT networks and systems vulnerable to international cyber threats.

(4) Government procurement of ICT is not coordinated, and ICT investments are not technically vetted through national and international standards.

#### **Policy Interventions**

Mr Deputy Speaker, this brings me to my final point: policy interventions by my Ministry. The challenges we have faced as a Sector have compounded over the last 12 years without any serious policy and legislative intervention. As Minister responsible, I found this to be a very disturbing fact.

In January this year, and immediately upon return from our sector meeting in Buin, I put my Departmental Head to task to commence work on the PNG Digital Transformation Policy.

I sought a National Policy that would consider the current technology landscape and consolidate ICT in the public sector.

Recognizing that ICT is now a strategic enabler for effective public service delivery in other countries, I sought also to ensure ICT is put at the forefront of the Marape-Steven Government priorities.

Mr Deputy Speaker, I am delighted to announce that after almost six months of formulation and consultation within the Social Law and Order Sector Agencies, and with the support of internationally recognized I.T. organizations and selected specialists and government agencies counterparts in Australia, New Zealand, Malaysia, Estonia, Singapore and the United States; my Ministry submitted the PNG Digital Transformation Policy to Cabinet recently. This policy was unanimously endorsed by Cabinet.

Mr Deputy Speaker, we now have in place a government policy to address the Sector challenges of the next 12 years and beyond.

Consequently, the Department of Communication and Information will now be formally known as the Department of ICT (Information Communication Technology) and this is to reflect the convergence of technology with information and communication.

Mr Deputy Speaker, this is a major milestone after 12 years of almost nil policy work! I commend my Departmental Head and his team for this very important intervention.

Mr Deputy Speaker, the PNG Digital Transformation Policy itself is wide ranging in nature and also technical so I do not wish to get into the details of it.

What I can speak on is the vision for effective services. It is our dream that people up in the rural mountains, coasts, or islands, can access any service from just a touch of the screen on a mobile phone.

Instead of long lines or queues to get to government services, our people should be able to register their land, apply for driver's license, register for common roll, register a business, do business, and even vote online from wherever they are sitting.

45/10

Mr Deputy Speaker, these are examples of what our government can do for its people and I am proud to say that the PNG Digital Transformation Policy sets us on a path towards achieving this vision.

The digital transformation process foresees government agencies and departments delivering a range of initiatives to improve interagency collaboration that in turn should translate to improvement in public sector service delivery, through use of ICT advancement and innovations. A digital government also anticipates a spur on availability of data effectively encouraging ICT SME and private sector to innovate and will further promote the ushering in of innovation and incubation hubs as proposed in the draft Digital Transformation Bill 2020 which I will table in due course.

#### **Ministry's Plans for Legislation**

Mr Speaker, I have been in this office for a little over nine months. I have pushed for the formulation and endorsement of the PNG Digital Transformation Policy which now acts as the apex policy for the ICT Sector. Within the next Parliament session, I intend to introduce to Parliament the *Public Service Digital Transformation Bill 2020*. The Bill has been shared with domestic professional ICT bodies and we are working together to respond



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The *Public Service Digital Transformation Bill* intends to set the standards required to digitally transform public service delivery. Following on from this, I also intend to bring to Parliament the Amendments to the *Broadcasting Corporation Act 1973* which will not only address governance matters but will also focus on digital broadcasting and content delivery.

Mr Speaker, through you as Chair, I wish to re-assure all Members of Parliament that the Ministry under my watch is making all efforts possible to put our people first.

Mr Speaker, I thank you for this time given to speak on the interventions undertaken by my Ministry within the last nine months and I look forward to make more strategic intervention on ICT sectors and on behalf, for benefit of this beautiful country, before I sit down, I wish Papua New Guinea, Happy 45 independences anniversary, thank you and God bless Papua New Guinea.

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

That the Parliament take note of the paper.

Debate adjourned.

### **MOTION BY LEAVE**

**Mr Rainbo Paita** (Finschaffen – Minister for Finance and Rural Development) – I ask 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 presenting the *Supplementary Appropriation Bill 2020, Papua New Guinea Fiscal Responsibility (Amendment) Bill 2020*, Central Banking (*Amendment Bill 2020*), and *Superannuation General Provision (Amendment) Bill 2020*, forthwith.

**46/10**

**SUPPLEMENTARY APPROPRIATION  
BILL 2020**

**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.

**Mr IAN LING-STUCKEY** — Mr Speaker, in these most difficult of times, we need faithful leadership.

Mr Speaker, today I will update Parliamentary members on the state of the PNG economy and outline the Marape-Steven Government's response to Covid-19.

Responding with responsibility, with compassion and with a careful balance between health and the economy, with a true vision for this nation's future.

Two key documents are being presented. First, the 2020 Mid-Year Economic and Fiscal Outlook Report, commonly referred to as, MYEFO. This will highlight the extraordinary challenges PNG is facing, and why there is a need for true leadership.

Second, the 2020 Supplementary Budget, which will continue demonstrating inclusive leadership and a way forward for our country.

## **2020 Mid-Year Economic and Fiscal Update**

Mr Speaker, I release today the 2020 MYEFO. It should have been released earlier, but legal conventions of the past must be balanced with the needs for war on Covid-19. For our nation, given the very worrying numbers in MYEFO, it is presented at the same time as the government's, considered response through the Supplementary Budget.

Mr Speaker, the MYEFO confirms my regular Ministerial Statements. PNG is facing a two-stage economic challenge. First, a 'clean-up of the O'Neill mess'. Second, the worst global pandemic in a century. I will deal with these in turn.

### **PNG's Clean-up of the O'Neill Mess.**

Mr Speaker, should we forget about the O'Neill legacy? I'd rather not mention his name, not at all.

But I do not want this country to forget, the damage that was done during those eight years of his failed leadership, because that damage continues and will take years to fix – not the short 15 months we have been in office.

The Marape-Stevens government, is having to spend so much of its time, just cleaning up the filthy mess, left by the Member for Ialibu-Pangia. Others can talk about his corruption mess. Others can talk about his environment mess, such as downstream from Porgera. I will focus on his very damaging economic mess.

Mr Speaker, I suspect the years 2011 to 2019 will become known in our economic history textbooks, as a decade of damage and lost opportunities. Others have shown how much better things were in the previous decade under Prime Minister Somare.

**47/10**

The damaging O'Neill economic legacy should have been the opposite under competent leadership, as the 2010's were good years for the global economy. One element of my thinking is 'If we do not learn from the mistakes of history, we risk repeating them.' So a quick, factual recap. These facts are in the budget documents and our NSO, IMF and academic reports. The damaging O'Neill economic legacy is:

(1) Living standards hole: - Average living standards declined by K520.0 for every person in the country from an average of K5,380.0 in 2014 down to K4, 860.0 in 2019.

(2) Debt hole: - Debt increased more than four-fold from K8.5 billion in 2012 to K37.6 billion in 2019 - consisting mainly of K18.1 million increased deficit financing, hidden K2.6

revenue. Our deficit is likely K1.5 billion higher just because of lower tax collections from these missing jobs.

(5) International debt interest costs increased from K44 million in 2012 to K436 million in 2019 - nearly 10 times greater! All done at a time, when the PNG economy should have been booming along with our Asia-Pacific neighbours.

This is the living standards hole, the debt hole, the deficit hole, the employment hole, that all form part of the damaging O'Neill economic legacy.

Why does this matter for MYEFO?

Because in the 2020 Budget, we were starting the process of reconstruction and repair, from these deep economic holes and mess, and this was going to take years. The economic shelves are bare and has to be restocked and rebuilt. And then.

### **The COVID-19 Pandemic**

Mr Speaker, we were left with a mess that we started to fix. But then we get hit by a once in a century global pandemic.

The O'Neill mess and the global pandemic are a major double economic challenge for PNG, as outlined in the MYEFO.

**48/10**

Mr Deputy Speaker, our business people know of these challenging times. We have been listening to them. We have been talking to representatives of the SME Sector. We have been listening to the PNG Business Council's survey of its members and we know that 75 per cent of business leaders expect their revenues to decline. We know that 38 per cent expect to lose staff due to low demand. There are similar figures for other countries throughout our region.

Mr Deputy Speaker, unfortunately, the combination of the double punch of PNG's economic legacy and the pandemic means that forecast growth for 2020 is now negative 3 per cent.

Before the COVID-19 Pandemic, and on the basis of the budget repair and reconstruction policies introduced as part of the 2020 Budget, we had expected the PNG economy to grow from K84 billion in 2019 to K92.2 billion in 2020. And, in line with responsible budget practice, we had not assumed any new projects would be going ahead until the Final Investment Decision stage.

Instead, we now expect the size of the economy to fall by 3.6 per cent to just under K81.5 billion.

PNG's economic growth forecast has been reduced dramatically by K10.7 billion in comparison to what we expected. The modelling for this reduction has three key components.

First, the global impacts of the pandemic on oil and LNG prices. Never before has the world seen negative oil prices. The estimated drop in prices for 2020 accounts for K4.3 billion, or 40 per cent of the decrease, in the estimated size of our economy.

Second, the combined effects of the global and domestic Covid-19 impacts on the non-resource parts of our economy. Many of these impacts are from global factors which PNG has no control over.

There is a decline in world trade for many of our agricultural, fisheries and logging industries. So, Agriculture GDP is down over K1 billion or 10 per cent of the overall fall, our tourism, accommodation and transport industries have all suffered from the closure of international borders throughout the world, no one is coming to walk the Kokoda Track, so this sector is down an estimated K0.85 billion. Some of these impacts are from the hard lockdown from 23 March introduced to protect health systems at a time of great uncertainty. This gave the country some time to prepare our health systems, for the rise in cases we are seeing now. Part of wise, but difficult trade-offs between health and the economy.

Now we are better prepared, there will be no more hard economic lockdowns! But international evidence makes it clear, that if the pandemic had gotten out of control, then the economy would have been damaged much worse.

Third, our Mining Industry is well down on what was expected. Once again, this is a mixture of global and domestic causes. We assume, that the closure of the Porgera Mine for eight months will take about K1.4 billion from GDP in 2020. We are being open about this loss in our MYEFO, no attempts to hide from the truth under this government!

49/10

This is a temporary loss; the gold is still there for future generations. We had hoped the previous mine operators, would have continued operations under new contract conditions, which would not have affected GDP, but they refused. In addition, we now have the temporary closure of the Ok Tedi Mine for six weeks because of Covid-19 infections, and a drop in Lihir gold production for geological reasons of K117 million. Overall, mining is expected to fall by K2.2 billion.

49/10

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Mr Speaker, let me be clear. There is a suggestion through social media and other badly informed commentators that the problems of the economy are about the Marape-Steven Government rather than Covid-19. What an idiotic set of lies! What are the facts? According to Treasury estimates, over 85 per cent of the decline in our nominal GDP is due to Covid-19. So, our economy has declined by K10.7 billion. Less than K1.5 billion of this is for non-Covid reasons. This is not just about the government balancing health and economic concerns exceptionally well. It is almost entirely about the war on the Covid-19 pandemic. About 85 per cent of the economic impact on our economy is about COVID-19. Not Marape-Steven Government!

#### **PNG's Economic Performance Relative to Other Countries**

Mr Speaker, let me reinforce this point about the devastating Covid-19 impacts on other countries. Let us look at the next largest Pacific economy – Fiji. Their GDP is estimated to have fallen by over 20 per cent. Fiji's budget deficit has now grown to 20 per cent of their economy while ours goes to 8 per cent. Their debt to GDP ratio has increased from 50 per cent of GDP to 85 per cent of GDP while ours goes to 49 per cent. Covid-19 is devastating economies around our world. Global real growth for 2020 was forecast to be plus 3.3 per cent. Now, just a few months later, it is expected to be minus 4.9 per cent - a massive fall of 8.2 per cent, all within six months. PNG is expected to go from plus 2.0 per cent to minus 3.0 per cent - a fall of 5 per cent or less than two-thirds of the global fall. So the world economy is doing it much worse than PNG!

**50/10**

Mr Speaker, the fall in global growth is not because of the Marape-Steven Government. The fall in growth around the world is because of Covid-19. About 85 per cent of the fall in our economy is due to Covid-19.

Mr Deputy Speaker, this is not about PNG. This is not about our resource policies. This is not about the economic rescue plan of the Marape-Steven government. This is about the worst global pandemic in a century. This is about the worst global economic downturn since the great depression of 1929.

This is about forcing nearly every country in the world to lockdown their international and provincial borders. This is about governments worldwide-both national and provincial level, forced to adopt health and preventative measures to save precious lives but at the same time, faced with the unintended consequences of slowing down businesses and facing some very tough economic hardships.

So, no one should blame the current government for what is a global disaster.

And things could have been much worse for Papua New Guinea, if the previous economic mismanagement continued.

#### **2020 Supplementary Budget**

Mr Deputy Speaker, let me now turn to the implications of this extraordinary decrease on the size of our economy. As the size of our economy shrinks, so does the revenue that can come from the economic base. This is just inevitable. It cannot be helped. Profits fall so company taxes fall. People lose their jobs so income tax falls. Goods and services revenue fall because consumption falls.

Mr Deputy Speaker, the MYEFO estimates that budget revenues are now expected to fall a massive K2, 736 million in 2020. This drop in revenue is larger than the entire budget expenditure of K2,192 million or K2.1 million, when I first joined Parliament back in 1997, 23 years ago. What an economic disaster brought about by this awful global pandemic.

We have lost K2, 736 million in revenue due to Covid-19 alone; nothing else. But the problem does not stop there because we must also increase expenditure to support health programs and the economy in the face of the global Covid-19 pandemic.

The Covid-19 pandemic will add K645.3 million to government expenditure. This consists of K45.3 million in our initial response and K600 million as the budget part of our overall K5, 700 million Economic Stimulus Package, announced in April.

### **Opposition in a Mess**

What does the Opposition suggest? Mr Deputy Speaker, the here again-gone again, Opposition Leader called for K2,000 million in additional expenditure to support the economy. But this would all add to our deficit and debt.

On the other Opposition hand, we have the response that we must cut expenditure by K2,700 million, because they trust one bank which says it can't be financed! Remember that report and presumably, this means they would cut even deeper, so that they could also pay for the increased K645 million in Covid-19 expenditure.

So, what a divided Opposition! One hungry Opposition Leader saying go and spend another K2,000 million. The other even hungrier Opposition Leader-in waiting, saying cut by over K2,700 million. But what will they cut? We have kept asking where would you cut K2,700 million? They continue to lie and try to make people hate this government, by saying that we will cut funding for teachers and the disabled shame on them.

But I think we would all agree, that we would not want to do that. You could cut the K500 million for repaying your bills arrears to businesses even though businesses are saying paying arrears is one of the best things we can do during Covid-19.

But you still need more than K1,770 million in cuts did you know that. You know that the 'only way to actually cut that hard is to cut all the PSIP and DSIP programs for this year and massive cuts in the capital budget, but you did not want to tell your parliamentary colleagues that is what you really wanted to do. You do not want to tell them that your hidden, secret policy of cuts in the capital budget is because you are begging for votes.

Mr Deputy Speaker, the Marape-Stevens' government takes a balanced approach set out in this Supplementary Budget.

#### **A balanced and responsible Supplementary Budget**

Mr Deputy Speaker, balancing current urgent needs with debt sustainability, means we have decided on a middle course. We will not cut by a massive K2,700 million as they want to do, but we will cut by a much more responsible and balanced K738 million. We will also absorb all the Covid-19 expenditures through reallocations. This is a balanced, middle course between the wild extremes of the Opposition; not the irresponsible K2.7 billion expenditure cuts by the true puppet-master of the Opposition, a responsible and balanced approach showing faithful leadership.



In line with our commitment to the country's development, we are focusing these cuts on the operating budget. Most cuts are on the goods and services budget. We are also working hard to bring salaries under control, quite a difficult task. The reality is that teacher salary costs look like they will exceed the budget by K390 million. Salary cost over runs is another part of the failed O'Neill legacy, as set out in careful analysis yesterday by Professor Howes of ANU's Development Policy Centre, and I would like to thank him and the ANU for the excellent work they do in supporting UPNG and economic graduates vital for our future, he states:

'Rising salaries are one reason PNG has had to borrow more in recent years. Together, PNG's rising salary and interest bill have reached almost 60 per cent of own revenue, putting the budget under enormous stress. That is a level last seen in the late 1990s and early 2000s, a period of fiscal crisis. All the additional fiscal space provided by the resource boom of the intervening years is gone. The rising salary and interest bills are the twin fiscal legacies of the O'Neill Government. Undoing the damage to service delivery, and re-establishing PNG's reputation as a responsible fiscal manager would have been a tall order without a once-in-a-century pandemic. The task is now even more difficult.'

Mr Speaker, this government is courageous enough to take on the task of fixing another part of the O'Neill mess. We will find cuts of K300 million in other parts of the salaries budget. But on-going reform is required.

Mr Speaker, in contrast to the operating budget, and the hidden plans of part of the Opposition, there is not one toea reduction in the overall capital budget. The capital budget is only having reallocations indeed, there is a K109 million increase.

Once again, we have made some tough calls and we will reduce the SIP Programs by K2 million per district and province. We do this in the knowledge that COVID-19 funding has already been directed at the local level. And we continue moving more of our capital budget towards high impact programs not 'roads to nowhere'.

53/10

#### **Supplementary Budget Support for our Stimulus Package**

Mr Speaker, we are undertaking the largest economic stimulus package in PNG's history but we are doing it smart. We rely primarily on monetary policy and other supporting mechanisms such as early superannuation access to support the economy as well as drawing

on international support. Of the K5.7 billion Covid-19 economic stimulus package, only about one-tenth is through the budget because of debt sustainability balances. Smart leadership getting the balances right.

And the K645 million we are spending domestically, is being spent much smarter than in other crises. We have focused on a decentralised approach. Not just Port Moresby and national departments.

Mr Speaker, we trust our Governors and Members to deliver. Frankly, there were some delays in getting funds out because of cash flow difficulties. But every Member and Governor has now been given the tools to respond to the Covid-19 crisis:

(1) K1,000,000 in agriculture support per district and province to encourage households to plant more crops for incomes in case the Covid-19 blocks food supply chains,

(2) K500,000 in water and sanitation support for each district and province for activities to encourage safer trading in markets and in public sites, and

(3) K500,000 in SME support per district to help local level responses to the crisis.

These are key parts of the funding reallocations we are seeking support for in the 2020 Supplementary Budget.

So, the success of our Covid-19 response actually depends in the first place on all 111 Leaders in this chamber. This is the decentralised approach where true national leadership is trusting in local leadership. Every member should detail how their people can get access to these local funds under local guidelines.

Let's compare that to the O'Neill response to the drought and highlands frost disaster of 2015. How much fake money? How much delivered? An estimated loss of life of up to ten thousand people in the drought based on morbidity trends. No accountability. Incompetence. Failed leadership.

#### **Foreshadowing amendments to the Fiscal Responsibility Act**

Mr Speaker, the Budget estimated the Debt to GDP ratio in 2020 would be 40.3 per cent. This is a ratio, so it depends on both debt levels and GDP levels. Just the K10.7 billion falls in GDP means the ratio increases to 45.6 per cent. So, we exceed the debt limit even without increasing debt.

54/10

How about that, there is a clear need to amend the *Fiscal Responsibility Act*, which I will move later in the day. Overall, we are cutting expenditure by K737 million. However,

revenues are falling by K2,736 million.

So our budget deficit lifts by the difference, or K1,999 million. This lifts our debt levels by just under K2 billion. We currently estimate that the debt to GDP ratio will lift to 48.9 percent in 2020.

Economic modelling indicates that even with large cuts going forward, the debt to GDP ratio could exceed 55 percent in 2021 and 2022. So we are adjusting the limit to 60 percent to accommodate these forward projections. Given the starting point of huge deficits of previous years, it will take years of constraint to bring the deficit down to sustainable levels. Growth of GDP, expenditure cuts and revenue growth will then start lowering our debt to GDP ratio.

#### **Amendments to the *Central Banking Act***

Mr Deputy Speaker, let me set out some facts on the amendments to our *Central Banking Act*.

Mr Deputy Speaker, one of the great benefits of our increased honesty and transparency is that the international community is now more willing to support our country with good, cheap, concessional financing.

This year, we have had to pay nearly K900 million to Credit Suisse for an expensive international loan borrowed by the previous government. We are borrowing, paying off expensive debt with much cheaper international financing, such as the zero percent interest rate on the no conditions IMF loan received in June.

We are borrowing smart to pay off O'Neill's bad debts. But he continues to blame Marape for taking a loan to pay off O'Neill's loan. Shame on him!

One issue with the substantial increase in international financing is that much of it is expected to arrive in December - possibly up to K2.5 billion of it. So we are facing a major cash management challenge of cash arriving late but having to continue paying for our health, education and justice systems.

Mr Deputy Speaker, we are proposing a two-stage solution. First, we will establish a thorough review on how to modernise the *Central Banking Act*. We will work with local and international experts, and the IMF, to ensure that our *Act* is modernised to better match international best practice.

This review is to be completed within six months. It will be an open, transparent review, guided with the intent of modernising and strengthening the central bank, certainly not with undermining its independence.

Second, we will introduce changes to the *Central Bank Act*, later today to deal with temporary cash advances to government. Not printing money, like O'Neill lied to the newspaper the day before yesterday. Yes another lie! He has no shame!

PNG's arrangements are very low relative to other countries. We will be making changes to allow for a higher Temporary Advance Facility based on 12 per cent of average recurrent revenue and grant financing over the last three years. This will assist with our cash management arrangements. This is in line with international standards and still subject to agreement from the Central Bank that the temporary advances are consistent with independent monetary policy setting.

### **Recap**

Mr Deputy Speaker, today, I have delivered some tough news to the people of PNG. PNG is in the most difficult of times. These most difficult of times are driven by two forces.

Firstly, the debt and deficit mess of the O'Neill Government for eight years and second, the worst global pandemic in a century a Covid-19 War.

An extraordinary double punch! We did not need the first punch. What an extraordinary mistake we made, to trust in the failed leadership of the O'Neill led Government. He should have stayed in his K40 million, Sydney Harbour mansion, rather than coming back and talking down the economy, playing the blame game and starting far too early to overthrow the government.

Continuing lies as he tries to re-write the reality of the deep economic holes he left our people in, a debt hole, a deficit hole, a growth hole, an employment hole. What a mess! It was always going to take years to get out of these problems.

PNG is having to deal with the second punch of Covid-19.

Imagine how much easier it would have been to launch the war on Covid-19, if the budget had actually returned to budget surplus by 2019 as predicted in the early O'Neill budgets!

We are at a war with Covid-19. Currently, the world is losing this war. The death toll in the United States of 190,000 already exceeds all their war dead through the Korean War, the Vietnam War, the wars in the Middle East and Afghanistan. We are at war. And the O'Neill

Legacy will mean that thousands more may perish, because of the way he left the economy and limited the opportunities to respond.

**56/10**

Mr Speaker, fortunately we have had a change in Prime Minister.

In a global perspective on this war on COVID-19, PNG is doing better than many. On the health front, we have been doing much better than neighbouring countries. And on the economic front, the impact is only about sixty percent of that experienced by the global community.

We have been an honest government, a transparent government. We have taken a balanced, responsible approach to dealing with COVID-19. Not a massive K2 billion in expenditure, or a massive K2.7 billion in budget cuts as set out by the confused Opposition.

A balanced approach, responsible expenditure cuts limiting the growth in our deficit and debt to under K2 billion.

#### **Looking Forward**

Mr Speaker, we must look forward with a new vision for PNG. The reality is that the prospects for any quick LNG investment fixes are essentially non-existent. Even LNG Projects that were in front of the global development queue with agreed fiscal regimes are being deferred.

The government must continue with its balanced focus of also growing the non-resource economy, the source of livelihoods for most of our people.

Mr Speaker, twenty years ago we would not have dreamed, of taking on the major resource companies to get a better deal for our country. Unlike Marape, and his generation of leaders-they dared to dream! And what a ride it's going to be. The success of PNG LNG has turned this around. We have a track record to demonstrate, that PNG is a good place to do business. I look around at my colleagues in this Chamber with great pride, of how we are looking for better deals. With great pride in the leadership, of the Marape-Steven's team.

Mr Speaker, so rather than the scare tactic language and lies of the Opposition, we are taking actions to get broad-based growth going again.

Let me provide some examples;

First, we are working on a major expansion of labour mobility programs. The World Bank had estimated that payments home from labour mobility programs were going to be larger in 2020 than all foreign direct investment into developing countries. I repeat, larger

than foreign investment in mining or manufacturing or forestry. This extraordinary opportunity was messed up by the former government.

Second, we are pleased with the doors opening for our manufacturing sector. So responsible investors coming in and seeing opportunities such as the agreed \$US350 million cement-lime manufacturing plant in Central Province last month.

57/10

In Papua New Guinea's business environment as demonstrated by last fortnight's agreements, with Fortescue methods to explore the option of exporting our hydro power potential and developing green industrial operations, for domestic consumption and export to international markets.

Fourth, and most importantly, clear support for our agricultural sector and SMEs which were at the centre of our Covid-19 economic support program with funding provided down to the district levels. With massive increases in investment financing for infrastructure, to get goods to markets such as the extra K495 million in concessional project financing in 2019.

We are working to obtain over 5 billion kina in concessional financing for 2020. Absolutely vital for lowering debt costs for our children.

Mr Speaker, today I have set out the Marape-Stevens government's balanced approach to moving our country forward.

Dealing with the extraordinary fall in the economy and revenue set out in this MYEFO with the largest K5.7 billion Economic Stimulus Package in our history, done in a responsible way with only one-tenth impacting on the budget.

Absorbing all the budget costs of the Covid-19 pandemic, as well as taking a middle course by finding expenditure cuts all in the operating budget.

And trusting the Leaders of this Honourable Parliament, to work with their local communities to deliver health, SME and agriculture programs, most beneficial for their people.

Mr Speaker we are at a once in a century war on the Covid-19 pandemic. We thank our people, especially our front-line health workers, for taking on so much. Thank you to all of you. We thank our friends in the international community for their increased levels of support.

Absorbing all the budget costs of the Covid-19 pandemic, as well as taking a middle course by finding expenditure cuts all in the operating budget.

And trusting the Leaders of this Honourable Parliament, to work with their local communities to deliver health, SME and agriculture programs, most beneficial for their people.

Mr Speaker we are at a once in a century war on the Covid-19 pandemic. We thank our people, especially our front-line health workers, for taking on so much. Thank you to all of you. We thank our friends in the international community for their increased levels of support.

We grieve with families who have lost loved ones, and fear that more grieving is to come. So much more could have been done if the shelves weren't so bare after years of economic mismanagement!

The Marape-Steven government has a vision going forward for sustainable broad-based growth. PNG will emerge from this war on Covid-19 stronger than ever before.

The Marape-Steven government is nimble, responsive, responsible, faithful and honest leadership in these most difficult of times.

Thank you, Mr Speaker, my Parliamentary colleagues and the people of this great country of ours.

Kalaro! Giro! Kadago Mase!

**Mr SAM BASIL** (Bulolo – Minister for National Planning) – Thank you, Mr Speaker and Honourable Members of this House.

I rise today to support the Treasurer and this Honourable House as a Minister responsible for the formulation, coordination and implementation of the Capital Investment Budget.

And further, in support of the 2020 Supplementary Budget that the Honourable Treasurer has outlined in detail, and specifically the implications on the Capital Investment Budget.

Mr Speaker, the Capital Investment Budget, is the most critical component of the National Budget.

58/10

And the 2020 Budget, is the first full Budget to implement the Marape-Steven Government's priorities as set out in the Marape Manifesto and the 2019 Loloata Commitments.

The Capital Investment Budget funds, the key investments in various sectors of our economy with the overall goal of growing the economy by:

- building the key enabling infrastructures;
- creating more opportunities for Papua New Guineans; and
- for delivery of vital services to our citizens.

The main thrust of the 2020 Capital Investment Budget going forward, is to support the principle of the Marape Manifesto and further to support and deliver on the medium to long term vision of 'Take Back PNG and Make PNG the Richest Black Christian Nation' on earth by 2030.

Connect PNG is an integral part of the approach of this Government. Connecting major national highways across the country, complemented with inter-connectivity through provinces and districts, connecting economic hubs, from resource development areas, major plantations, agricultural farms, tourism, and strategically linking up these transportation infrastructure links with telecommunications and power in a more integrated way is a key emphasis of this Government.

We have given high prioritisation to some of our most neglected sectors over the years that are fundamental to growing the economy such as the agriculture sector and micro, small and medium enterprises (or MSMEs).

Mr Deputy Speaker, we as a Government believe that the Provincial and District Service Improvement Programs is a fundamental accelerator of growth for our people at the sub-national levels and that this helps to empower all Members of Parliament.

It is important for all Members of Parliament to note that the PSIP and DSIP remains an integral part of the Public Investment Program which is also subject to reporting and visibility for our people.

Hence, the provincial and district plans we have established and worked through with the Department of National Planning and Monitoring should not only guide national programmes that involve the district or



This has given us the opportunity to assess the implementation status of current investments financially and physically, and make critical assessments and decisions for relevant re-appropriations, accordingly.

Let me to detail to you the degree of reductions of re-appropriation we have made as a Government on Capital expenditure and the re-appropriations within the Capital Budget to ensure that we are being realistic and we are opting to boost critical investments and sectors as we go forward.

Mr Deputy Speaker the current status of implementation of Capital Expenditure. The total 2020 Capital Investment Budget stands at K5980.5 million. This comprises of Government's direct financing of K3683.4 million, and with the support of Bilateral and Multilateral Development Partners, we have K1365 million as concessional loan financing and grant financing of K932.10 million.

The status of expenditure of the Government component of the K3683 million as of the 8 of September 2020 is as follows: We have issued warrants of approximately K2269 million or 61.6 per cent (61.6 percent) out of this appropriation to Implementing Agencies.

This is now the 3<sup>rd</sup> quarter of operations and it is our intention to ensure that we increase from 61.6 percent to 75 percent of warrants issued before heading into the final quarter of the year.

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Mr Speaker, the Government's monitoring for due diligence to ensure that the implementation of our projects and programmes are progressing include processes such as quarterly Project Steering Committee (PSC) meetings, quarterly reports, site visitations to verify implementation status against the reports provided, and quarterly budget reviews together with the Department of Treasury.

Whilst COVID-19 lockdowns and restrictions in the country have disrupted our schedules for thorough monitoring, I am pleased to inform this Honourable House that we have managed to engage with a majority of our Implementing Agencies to ascertain and oversee performance of projects and programmes.

Mr Speaker, based on the mid-term reviews undertaken in June and July 2020, and in light of the challenging fiscal status of the Government to date, especially with the unforeseen issues arising as a result of COVID-19, the Government's focus is to ensure that key investment items are maintained and progressed accordingly.

Some of the achievements to date in the implementation of the Capital Investment Budget are:

(i) Ongoing projects and programmes with existing contracts and picking up momentum with more funds made available to settle the Government's contract obligations.

(ii) There is a gradual increase of the number of Implementing Agencies stepping up reporting requirements on capital funds financially and physically.

(iii) Quarterly Project Steering Committee (PSC) meetings with Implementing Agencies have progressed well, hence raising the standards on compliance requirements of the PIP.

(iv) DNPM is in the process of finalizing the PIP Management Guidelines (the last version was in 2007). The purpose of these Guidelines is to provide to government organizations procedures, compliance, methods and tools in the management of PIPs. This should shortly be tabled in NEC.

Whilst this positive is welcome, please note that a number of implementation issues persist and have stood out with some of our investments. These includes:

- Prolonged land issues that is holding back investments to progress.
- Feasibility studies and designs of major infrastructure investments yet to be kick-started.
- Funding against procurement requirements not fulfilled hence, procurement cannot be cleared.
- Lack of Reporting from Implementing Agencies not progressing as expected.

Based on this and in light of this Supplementary Budget, we have critically assessed the performance of investments.

We can, and have, identified the investments that can be reduced now, and

(i) be deferred to next year or so.

(ii) be reduced with re-appropriate to investments that are either progressing well, are shovel-ready, or are set to go without any further delays.

#### **The Principles guiding reductions to capital expenditure**

To ensure that the fiscal adjustments are credible, the adjustment exercise of the Capital Investment Budget has been guided by a set of principles that is largely based on a realistic approach to expenditure and implementation status as of September 2020.

Our efforts to reduce various investments and re-appropriate in relevant areas of the Capital Budget is guided by the following principles:

(i) Quarantined investments that will not be subject to reductions which include:

- Connect PNG infrastructure;
- Counterpart funding obligations of state to concessional loan; financing and grant

financing from our Development Partners;

- Micro, small and medium enterprises (MSME) for Agriculture;
- Investments with outstanding contractual obligations;
- Infrastructure Development Grants (IDGs); and
- District Support Grants (DSGs).

(ii) We have executed reductions in funds for investments that:

- Have not commenced;
- Have management issues affecting oversight and progress of the investment;
- Are under-performing and have a poor average execution rate financially and through

physical implementation;

- Protracted delays in procurement and implementation; or
- Do not have clear operational guidelines for the investment.

(iii) We have also executed reductions on Projects with Low Warrants and Low Expenditures to Date.

60/10

#### **D. The Supplementary Reductions and the Re-Appropriations to the Capital Budget**

(19) Mr Deputy Speaker, of the total 2020 Supplementary reduction and re-allocation of K2295.5 million, the Capital Investment Budget reflects a reduction and re-appropriation of K1006 million.

This reduction specific to the Capital considers the principles mentioned earlier hence, comprises:

- (a) K784 million reduced from Public Investment Programmes; and
- (b) K222 million reduced from the total allocation to PSIPs and DSIPs (which is a reduction of K2 million per PSIP/DSIP)

Whilst this may seem a major setback for some of our projects and programmes, we are confident that the re-appropriations will further boost our efforts as a Government to reinforce key investments that will move policy-driven priority sectors forward.

Mr Deputy Speaker, I am pleased to inform this Honourable House that a total of K525 million worth of re-appropriations will be made to the Capital Investment Budget. This comprises:

- (a) Special Intervention Programmes to various provinces and districts of up to K140 million;
- (b) Rural infrastructure of up to K110 million;
- (c) Urban Infrastructure worth K50 million;
- (d) District Maintenance of K10 million;
- (e) Commodity price stabilisation and agriculture intervention of up to K30 million;
- (f) 2019 outstanding commitment of K50 million to SME financing;
- (g) Maritime transport worth K20 million;
- (h) Health infrastructures boosted to K20 million;
- (i) Education infrastructures of up to K20 million;
- (j) Higher Education infrastructures worth K20 million;
- (k) Police operations of K10 million;
- (l) Judiciary infrastructures worth K30 million; and
- (m) Bougainville infrastructures of up to K15 million.

These commitments along with maintaining the Government's strong commitments towards connecting PNG, and boosting the micro, small and medium enterprises, is a right step forward to growing the economy and giving opportunities for our citizens to participate in "Take Back PNG".

Mr Deputy Speaker, ensuring healthy levels of Provincial and District Service Improvement Programs, maintaining the Government's counterpart obligations to development partner investments as guaranteed financing, as well as prioritising contract obligations, demonstrates two things:

First, a strong will by this Government to empower our leaders to meet the critical needs of our people at the subnational level;

Second, demonstrate to our Development Partners that we are serious about our partnerships to deliver critical services for the people of Papua New Guinea.

#### **E. The Way Forward**

Mr Deputy Speaker, with the investment prioritisations we have done through the Supplementary Budget, there is need for us to strengthen the implementation of our priorities as a Government and as leaders of this country as we move forward.

(a) The efforts put into the mobilisation of resources will need to be upscaled and more importantly, smarter. It is important to ensure that our traditional Development Partners need to be appropriately aligned to national plans and priorities. Newer investments through concessional loan financing need to be more strategic, with a clear focus on greater economic returns for the country.

(b) The economic growth agenda requires exploring revenue raising efforts. We need to progress revenue raising opportunities for our respective districts and provinces and work together so that Government SIPs are not the only grants we rely on.

(c) Call for greater visibility of investments at the provincial and district levels. As leaders, we need to continue to demonstrate leadership in service delivery for our people and absorption of opportunities made available to them through the investments provided by the National Government.

These are not exhaustive, but in going forward, it already provides us confidence in the opportunities available that we need to strengthen; and take carriage of.

#### **F. Conclusion**

Mr Deputy Speaker, there is a clear linkage between the policy priorities and the capital budget as its annual expenditure plan.

And it is quite clear that the security of funding for Capital Expenditure is vital if the Government is to ensure continuous growth of the economy against the needs of a growing population, rising inflation and ever-increasing bills.

**61/10**

We as a Government are taking some hard steps and decisions on the priorities we have to deliver for our citizens because of the current fiscal situation of the country. We have approximately 2 more months till the completion of the operational year and we are now being realistic on our expenditure priorities now till then.

The challenges are enormous but the opportunities provide us a degree of assurance that we are not only cleaning up the daunting fiscal challenges we are faced with, but we will strive to ensure that we can still set the critical foundations of taking back PNG and growing an economy that has great potential in trade and investment and delivery of its development agendas.

Thank you, Mr Deputy Speaker.

## MOTION BY LEAVE

**Mr RAINBO PAITA** (Finschhafen – Minister for Finance and Rural Development) I ask leave of 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 5 p.m. this day; and
- (b) Parliament adjourning on a motion to be moved by a Minister at any time.

**Mr JOSEPH LELANG** (Kandrian-Gloucestera) – Mr Deputy Speaker, thank you for giving this opportunity to the Opposition to comment on the 2020 Supplementary Budget which has just been tabled by the Honourable Ian Ling Stuckey, the Treasurer. I also thank the Minister for National Planning and Monitoring for his paper as well.

Mr Deputy Speaker, just glancing through the 2020 Supplementary Budget documents the Opposition is very disappointed with what it contains.

We acknowledge the challenges the country is facing are overwhelming as PNG seeks to comprehend a new normal and so we expected that 2020 Supplementary Budget to not only address both the challenges this country is now facing, but also to set the basis to put the country into a path to recovery over the medium term.

Mr Deputy Speaker, we acknowledge that the world economy is going through a difficult phase and this has affected all countries of the world including PNG.

The Covid-19 pandemic caused sharp reductions in World Trade and with significant movements in exchange rates across the country.

The world outlook at the moment remains highly uncertain as risk of new waves of the pandemic, capital flow reversal and further decline in global trade still loom large on the horizon.

Mr Deputy Speaker, PNG also entered Covid-19 pandemic on a vulnerable position with high debt, declining revenues, adverse terms of trade, rising unemployment, shortages in the country's foreign reserves. The country still faces shortage of foreign reserve, which is worsening under Covid-19 pandemic. The Wage Bill of public servants continue to remain high and rising.

Mr Deputy Speaker, somewhere down the line bold decisions and actions must be taken to deal with the large Salary Bill of public servants. Unfortunately, we don't see that all of the issues confronting this nation have been adequately dealt with through this 2020 Supplementary Budget.

Mr Deputy Speaker, the significant contraction in the PNG economy has affected revenue conditions and collections to the State. According to the Bank of PNG, tax and customs revenue collections fell by six percent in the first half of 2020 compared to the first half of 2019. This was largely contributed by falling commodity prices. Total revenue is projected as we have heard to decline by K2.7 billion by end of this year.

Mr Deputy Speaker, the Opposition feels that not much attention has been given to address the revenue side of the Budget, since this Government took office.

**62/10**

This is the reason why this Government is taking the easy way out by entertaining more and more borrowing. It is the responsibility of the Treasurer to provide leadership in this area and we can say that he has failed miserably to do what he is supposed to do as part of his job description. And you know what happens to people who do not perform according to their duty statements?

Mr Deputy Speaker, the fall in revenue collections is partly the Governments' fault despite what the Treasurer is saying. We should not put all the blame on the Covid-19 Pandemic. A large chunk of revenue to the State is highly dependent on the export and operations of major resources projects in this country –

**Mr James Marape** – Point of Order! Let me make a correction to the Oppositions Spokesman statement. He said, we should not put all blame on Covid-19 and the point of order is on record that the Treasurer did not put all blame to Covid-19.

Thank you, Mr Speaker.

**Mr DEPUTY SPEAKER** – I will let the Member continue on with his speech.

**Mr JOSEPH LELANG** – Thank you, Mr Deputy Speaker. A large chunk of revenue to the State is highly dependent on the exports of major resource projects. Total exports of mining and petroleum sectors combined, for example, made up 88 per cent or K34 billion at the end of 2019. The delay to the Porgera Mine start-up has affected exports and taxes to the State and the benefits to the resource owners and the entire supplies chain rely on this mine.

With the rising gold prices, we have missed out on opportunities on taxes, exports and its contribution to gross domestic product. In addition, further delays to the Wafi-Golpu Mine, the Papua LNG and the P'nyang Projects are detrimental to the country and the Governments' cash flow. We understand that there are issues that must be resolved but we also must not hold our country and people to ransom by dragging our feet on these major projects. It is imperative on this Government to bring these projects to full implementation phase at the earliest time possible.

Mr Deputy Speaker, the Government and this Treasurer need to show leadership now; the country needs to rebuild its tax base and revolt its economic and export base.

Mr Deputy Speaker, the contraction in the PNG Economy has significantly affected the labour market and the availability of jobs in PNG. And with a population growth rate of three per cent per annum which supersedes that of the economy, the new entrance to the labour force will find it hard to find jobs. The employment index published by the Bank of PNG showed that employment dropped by 7.4 per cent in the first quarter of 2020 compared to the first quarter of 2019, and by 8.9 per cent in the non-mineral sector over the same period. Unemployment is rising in this country.

Mr Deputy Speaker, the slowdown of activities in the construction sectors has recorded a large 30.7 per cent decline in employment followed by the financial business and other service sector which recorded a 16.7 per cent decline in employment while the wholesale, agriculture, fisheries and forestry sectors also experienced declines in employment by 13.2 per cent and 11.5 per cent respectively.

Mr Deputy Speaker, this situation is expected to worsen in 2020 as the Covid-19 Pandemic remains unabated and as more and more business make decisions to streamline their operations.



The 2020 Budget shows no pro-employment strategies for each of these sectors. The actions of such policies and funded projects makes it very hard for our people to even believe in this Government.

Mr Deputy Speaker, we need a job creation program that will put our people back to work and retain those already on jobs and put food on their tables. There are many without jobs and businesses who by no fault of their own had found themselves in that situation.

63/10

Mr Deputy Speaker, just reading through the 2020 Supplementary Budget, one thing has become very apparent. The 2020 Supplementary Budget, despite everything that's been said, lacks a comprehensive national strategy on Covid-19 Pandemic.

A strategy that is aimed at protecting and keeping safe the seven million PNG citizens living across this country. As of September 8, 2020, the country recorded a total of 503 confirmed cases with five deaths. This means that more for every 100 cases.

By provinces there are 13 provinces with confirmed cases, the National Capital District – 293, Western Province – 184, Central Province – 7, Morobe – 52, East New Britain – 2, West New Britain – 2, Eastern Highlands – 1, West Sepik – 1, Southern Highlands – 1, Autonomous Region of Bougainville – 1, New Ireland – 1, East Sepik – 3 and Milne Bay – 2.

Mr Deputy Speaker, as infections in PNG continue to increase daily and incidents of deaths rise, it is critical that PNG's Health Systems and public health capabilities are in place to enable a major shift in detecting and treating mainly serious cases to detecting and isolating all cases irrespective of severity or origin in all villages, all districts and all provinces in the country.

Mr Deputy Speaker, we all acknowledge that PNG's aging public health care system is broken down and needs to be overhauled. The report by the Chairman of the Public Accounts Committee Sir John Pundari highlighted very well the breakdown in the distribution system of drugs and other basic medicines throughout Papua New Guinea. We have problems, Mr Deputy Speaker.

The current approach taken by this government to address the effects of Covid-19 Pandemic through a decentralised approach by giving the provinces and districts public funds to run localised programmes may not achieve the desired national outcome.

We feel that more needs to be done at the national level in terms of containment measures in order to slow down and flatten the infection rate than through isolated and uncoordinated approaches.

Mr Deputy Speaker, I now turn my attention to the proposed legislative amendments that would be introduced as part of the 2020 Supplementary Budget.

Mr Deputy Speaker, amendments to the *Fiscal Responsibilities Act* to raise the debt to GDP ratio up to 60 per cent will place PNG at a higher risk of becoming a failed State or fragile State.

I need not remind us that PNG went into a balance of payments crisis in 1994 and later on in 2000, as a consequence of a large debt overhang which was equivalent to 70 per cent of GDP at that time. Now we are legislating to bring this to 60 per cent of GDP.

It appears, Mr Deputy Speaker that this government is intentionally running this country to the ground, to make us fail and bring PNG to its knees.

**Mr Wera Mori** – Point of Order! I want to say that the government did not intentionally push this debt to GDP ratio up. By definition, there's a contraction in GDP which means that projected revenue has fallen.

**Mr DEPUTY SPEAKER** – Honourable Member, if you would like to debate on the speech of the honourable Member, I would not allow you to.

**Mr Wera Mori** – Mr Deputy Speaker, I am not debating it.

**Mr DEPUTY SPEAKER** – If there is something you want to put a point of order on, give time to the Member to finish his speech and then I can give you time to debate this.

**Mr Wera Mori** – I want to make a little correction only. When GDP fell, it automatically pushed up debt to GDP ratio. So, the way he is speaking is incorrect. He is misleading Parliament and the people of Papua New Guinea. So, by definition he is wrong. I just want to make this clear so that we can all understand. All of us are listening.

**Mr DEPUTY SPEAKER** – Honourable Minister, thank you. I will allow the Shadow Minister continue and complete what he is saying.

**Mr Wera Mori** – I want to make a little correction only. When GDP fell, it automatically pushed up debt to GDP ratio. So, the way he is speaking is incorrect. He is misleading Parliament and the people of Papua New Guinea. So, by definition he is wrong. I just want to make this clear so that we can all understand. All of us are listening.

**Mr DEPUTY SPEAKER** – Honourable Minister, thank you. I will allow the Shadow Minister continue and complete what he is saying.

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And if any of you Ministers and Members have points relating to what another he has said in his speech, I will give you time to make your speech in response. Let me allow the Member to continue.

**Mr JOSEPH LELANG** -Thank you, Mr Deputy Speaker, it appears that this government is intentionally running this country to the ground, to make us fail and bring PNG to its knees and go to the slaughter house, the IMF and the World Bank. The amendments to the Temporary Advance Payment (TAP) facility with the Bank of PNG needs to be properly understood. For the government to make amendments, in order to increase from K300 million to K1.5 billion and for the Government to borrow that kind of money, what we are saying is that the government is now pulling away from the simple people. It is not pulling away from the financial system. It is an action by a government that is now desperate to grab money. By increasing the TAP to K1.5 billion enables it to borrow because under that TAP facility people can go in with a minimum of K5000 to obtain bills from the Central Bank stock.

This is a way in which the Government is legislating to go and borrow that money from our simple people out there and not from the banking system. The question now is how are you going to pay that money back, if you were to pay it back before the end of the year. That is a lot of money and we need to have a repayment plan but we don't have one here.

Mr Deputy Speaker, the Government ran a K3.5 billion budget deficits in the 2019 Supplementary Budget and now proposes another massive borrowing of up to K6.6 billion in the 2020 Supplementary Budget, bringing the total borrowing to almost K10.1 billion within six months of taking office. PNG's history has shown that on average, government's run

time the country's foreign reserve is equivalent to six months of total import cover. It will also put upward pressure on domestic inflation which is already on the rise in the country. The Consumer Price Index published by the Bank of PNG shows in the first quarter of 2020 inflation increased by 4.4 per cent compared to the first quarter of last year. The surge in the prices of food items was caused by the sharp drop in agricultural output under the Covid-19 pandemic. Prices for non-food products and services have also risen over the same period.

Mr Deputy Speaker, the 2020 Supplementary Budget will contribute to more inflation in this country. Our people can expect prices to rise and especially those that have lost their jobs and are struggling to put food on their table will face a very difficult time. That is why this supplementary budget is bad for PNG. The 2020 Supplementary Budget has heightened PNG's risk exposure to exchange rate, interest rate and export commodity price fluctuations.

Exports contracted by six per cent in the first half of 2020 compared to last year and this further indicating a contraction in the country's export market and contraction in PNG's resource exports.

65/10

Mr Deputy Speaker, the Parliament enacted the *Central Bank Act of 2000*, *Treasury Bill Act of 2000*, and the *Fiscal Responsibility Act of 2006*, which requires publications of the final budget out turn report and the medium out turn reports. These are requirements of the law.

Mr Deputy Speaker, the laws are there to ensure that Parliament and Ministers are aware of the performances of the Budget and to take appropriate actions to ensure avoiding fiscal induce economic crisis.

Mr Deputy Speaker, the laws and policies framework were enacted by past Parliaments and governments to prevent future generations like us today from repeating the mistakes of running unsustainable budget deficits and increasing debt to unaffordable levels that will expose our country to risk and running into another economic crisis.

The proposed amendment under the 2020 supplementary budget to the *Central Bank Act* is bad for PNG. The proposal to amend *Fiscal Responsibility Act* will put PNG into the category of high debt risk and fragile state. It will send a debt distress signal to PNG external lenders and may affect future borrowings as negotiated terms and conditions will not necessarily be in our favor.

running unsustainable budget deficits and increasing debt to unaffordable levels that will expose our country to risk and running into another economic crisis.

The proposed amendment under the 2020 supplementary budget to the *Central Bank Act* is bad for PNG. The proposal to amend *Fiscal Responsibility Act* will put PNG into the category of high debt risk and fragile state. It will send a debt distress signal to PNG external lenders and may affect future borrowings as negotiated terms and conditions will not necessarily be in our favor.

Mr Deputy Speaker, of equal importance the Opposition is concern that since the Marape-Steven government took office the timely publication and dissemination of information relating to the performance of the budget and on the economy to the public have not taken place in a timely manner prescribe by the *Fiscal Responsibility Act 2006*.

Mr Deputy Speaker, in accordance with *Fiscal Responsibility Act 2006* and the 2019 final budget out turn report was to have been published by the Treasurer on 31 March 2020. But he did not comply with this and the 2019 FBO report was published after the deadline.

**Mr DEPUTY SPEAKER** – Honourable Member, I'll interrupt by stopping you on your speech.

The 20-minutes allocated for you to debate is over and if you have a written statement, I will ask you to seek leave from the Chair and you can incorporate your speech in the *Hansard*.

But since the Honourable Member is the shadow Minister representing the Opposition, I will allow him to complete his budget speech.

**Mr JOSEPH LELANG** – Thank you, Mr Deputy Speaker and I thank the Parliament.

Mr Deputy Speaker, in addition the *Fiscal Responsibility Act of 2006* requires the Treasurer to publish the media economic fiscal out turn report or MYFO by 31 July 2020.

Again, we have just witnessed the Treasurer table this report today on the Floor and again this is in breach of the *Fiscal Responsibility Act*.

Mr Deputy Speaker, it is important that the Treasurer and his department respect the laws of this country and no one is above the laws of this land including the Treasurer and his Department.

It is shameful that while Papua New Guinea shows the world that it has laws that commit the PNG Government to be transparent about the performance of its budget, in terms of revenue, expenditure and financing, the actions of this Treasurer and his department and of this Government shows otherwise. But that is not all.

Mr Deputy Speaker, early this year the Treasurer floated the Covid-19 treasury bonds and borrowed K1 billion without authorisation from the National Parliament. As you know in the 2020 Budget, Parliament approved K857. 7 million as domestic financing and K3 873 800.00 in external borrowing. By issuing Treasury Bonds, this Treasurer and this Government breached the *2020 Appropriation Act*, the *Public Financial Management Act* and the National Constitution by borrowing an amount that was not authorised or over and above what was being authorised by Parliament as part of the 2020 Budget. But who cares?

Mr Deputy Speaker, this is a very bad attitude and that is why the 2020 Supplementary Budget will not take back PNG on a path to recovery. Our future generation and children will be left behind to fix the mess that has been created.

Mr Deputy Speaker, the Opposition finds that the 2020 Supplementary Budget is ill-suited to addressing pandemic risks and contains policy measures that are more harmful to Papua New Guinea. In these challenging times, the StaRs and MTDP has become irrelevant because they were formulated under normal conditions.

The Covid-19 Pandemic has caused much damage and disrupted the normal flow of activities in this country leading to significant contractions in the PNG's national accounts, in the external sector and the country's fiscal accounts never seen before in this country's history. This Covid-19 Pandemic has thrown the StaRs and the MTDP off course. And so a new approach must be taken. This Government under the 2020 Supplementary Budget has no plans to bring the economy back onto a path of recovery.

Mr Deputy Speaker, the Opposition has always been calling on the need to set up an economic recovery package. A plan that is much needed now more so than ever to guide resource allocations and borrowing requirements over the medium term. All annual budgets will be tied to this. Without going into details, the economic recovery plan would contain sets of coherent policies, strategies and programs to address the impact of Covid-19. It will restructure our debt, provide relief and target stimulus packages, improve our tax base, bring resource projects on stream and introduce reforms to the PNG public health care system and

country is heading and all the borrowings that we will take will be squandered and amount to nothing.

Mr Deputy Speaker, in conclusion, we recognise that the PNG economy has been hit hard and is suffering from severe domestic contractions. We can see that this Government is struggling to deal with this situation and at the same time to respond to the Covid-19 Pandemic. We can see that the pandemic has inflicted a sizable toll on economic activities in PNG but our disappointment with the 2020 Supplementary Budget is that we expected this Government to act swiftly to remove the threat of lasting damage to the PNG economy and put us back on a path to economic recovery.

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Mr Deputy Speaker, we see no such plan, just numbers, principles and promises. We have observed that the 2020 Supplementary Budget was designed with very little thought given to the risks that it imposes. The massive borrowing will reduce this nation to the status of a begger, opting for short term gain at the expense of long-term pain.

Mr Deputy Speaker, we call on Members of Parliament not to support this propose amendments of the *Physical Responsibility Act* and the *Central Banking Act*. This will place PNG in the high risk and fragile category of this nation and no doubt will ruin PNG's international reputation. The 2020 Supplementary Budget should be withdrawn. It is not competent for the floor of Parliament and we feel it is the final straw that will break the camel's back and we owe it to our people and future generations.

This Treasurer should resign as he is incompetent in our view and the Prime Minister should sack him. We can do better than what is now in front of us. Papua New Guinea deserves better.

Mr Deputy Speaker, the Opposition will not support these amendments and the 2020 Supplementary Budget.

Thank you, Mr Deputy Speaker.

**Mr ALLAN BIRD** (East Sepik) - Thank you, Mr Deputy Speaker. I acknowledge the well-informed paper from the shadow Treasurer and also acknowledge the contributions of our Treasurer and the Planning Minister.

Mr Deputy Speaker, I was one of those that spoke strongly against loans when I sat on the other side and now that we are here, I look through the Supplementary Budget on how the

Treasurer was preparing it, I think that many of us here are scared of the Supplementary Budget.

In 1994 when they were talking about devaluing the kina, there was panic around the country. There were protests and everyone was afraid about what would happen next, but guess what had happened? The currency got devalued, the country survived and we are still here.

When the late Bill Skate came in, he came in at a time when the country struggled again. There were protests in the streets. The late Bill Skate had to vacate his seat and then Sir Mekere Morauta came in, put in some really drastic reforms and there was fear all over the country.

There were protests in the streets and students died and guess what, the country survived. We are still here today.

Sir Michael Somare came in and that was a time of growth. There were surplus budgets. He was criticised for not doing enough. People call it the lost decade and in response to that when the last government came in, borrowed heavily because of the lost decade.

Most of us were not happy. Now we are looking at the Member for Ialibu-Pangia and former Prime Minister, and screaming and shouting at him too. But we are still here, our people are resilient. When Covid-19 came, I stood up on this Floor and advocated differently. I want to commend the Prime Minister that we are taking that path now. I don't want to us be afraid of Covid-19. The whole world is terrified of Covid-19 and as a result of that fear, governments all over the world have taken decisions that impact us. The decisions of other governments in other countries are affecting us today. Where we are in today in history, is unprecedented.

Last year we were unhappy with the PNC Government and while we were trying to change the government.

68/10

We didn't know that Prime Minister. Marape, would be faced with this situation but he is here likewise to us. And we have gone through the worse crisis in our history. And in a crisis, you have to make some hard decision. I sat on that side and protested just like my brother, the shadow treasurer, against the amending of the *Fiscal Responsibility Act* when Honourable Charles Abel occupied that seat. And there was no crisis when we amended it. Things were going alright but today it's a crisis so what are we going to do about it.



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The people of Sepik normally say 'no gat wei' and we too have no way. It was imposed on us. Yes! we could have done more. I am not happy about the public sector wages have blown out from 2011 to 2020 by 46 percent. This eventuated when we didn't monitor it and the cost increased as well.

Therefore, this Government must do something about it rather than blaming Peter O'Neill. We have to fix it! As the saying goes, 'take the bull by the horns' or hold tight to any part of its body. Let's do that gentlemen.

If we can build a huge wharf in Lae for about K800 million, four lane highway from Lae all the way to the turn-off road leading to Bulolo for about K500 million, four way lane road starting from Baruni to 9 mile for about K200 million, fly-over for about K200 million and extension of Motukea port for about K1 billion and undersea mining millions have been spent; we have done it.

Everybody sitting in this House are responsible for it one way or another. Some of us are first timers, we say we are clean but don't forget once you enter this House you are considered as unclean.

Let me say this, the K10 billion drop in GDP, yes, we can blame Porgera partly which I am scared to blame Porgera. But I admire the son of Hela who is now our Prime Minister.

Many of us would not have taken that decision but he did. Every other Prime Minister before him was allowed to lead in the way they wanted and we all supported him. So, he is occupying this seat for one year now so let's give him a go.

Every other Prime Ministers have had their turn and some of us sitting here might have our go when our turn comes. But instead we are debating and pointing fingers at each other

but the people that implemented it are sitting outside this building. These are the people we really need to grab them by their neck.

The Minister for Forestry presented his statement but we have no plans to expand the forest sector. Even now, after 45 years of independence, we still haven't done anything in this sector.

This Government should do something about this sector by checking on where the problems are and expand it rather than focussing too much on mining sector. Don't put a lot of burden on Porgera and Ok Tedi, just like we did for Bougainville Copper. Instead be brave leaders. The son of Hela who is our Prime Minister was brave enough and worked hand in hand with the Governor of Enga to achieve the goal. Let's believe that they will be successful. We have to amend the *Fiscal Responsibility Act*, not because we want to borrow more money, but because GDP has dropped by K10 billion.

**69/10**

To be simple, we want to be legally compliant. When GDP drops, we are already breaking the laws not because we want to but an external factor.

Now, let's look at what other countries are doing. When, I look to Australia, it looks like they have their biggest debt since World War II. They have gone over their Budget by K500 billion, 100 times more than what we are talking about. Many of their young people are committing suicide. Every nation on earth is facing these difficulties.

I want us to support the Treasurer but let us hold him accountable. I think we need to smile at this storm coming and I do not think that this one Budget is going to solve our problems. I think that we will be struggling with these problems for the next four to five years.

So, in that sense, I think the shadow Treasurer is right that we need to figure out how we walk this and we need to have a plan. We push the *Fiscal Responsibility Act* up but when a major project come on board it is going to change the dynamics of the GDP and we will be within it.

So, whether, our friends in Morobe, Wafi-Golpu or Papua LNG will help the country's economy or not, is up to them. This is the time to think of our country because we are experiencing tough times and we all should contribute in our small ways to help the country; this is the time!

The National Strategy for Responsible Development (StaRs) is in existence, and I am glad that the Shadow Treasurer mentioned that the Honorable Charles Abel, spearheaded this work. When Photesky minerals came through with their proposal, I was excited not because of the \$40 billion, but it was in line with the StaRs that the Honorable Charles Abel chaired.

— We have got to pursue all of these opportunities that normally we would not; our opportunities in the Agriculture Sector, we are talking about building roads in almost every session but let us build the roads in the right places so that the roads will deliver goods to a wharf.

**70/10**

When you don't have money, and we have to push our *Fiscal Responsibility Act* up to 60 per cent, that calls for us to be responsible. We must be responsible! We need to tighten our belts as a country, as DDAs, as provinces and as departments, tighten them up. And let's put the savings to good use because this thing is not going to be over next year. We will carry this burden for some years.

I refer you to the case of Australia where they said they have not had a crisis like this since World War 2. All of us in the House were not around when they had their crisis. Every country in the world are saying the same thing.

So, I want to appeal, especially to our brother leaders on the other side. Many things are at stake. You can blame it on my old man, Sir Michael, that's alright. All of these problems will be dealt with if we come to one mind and move forward but we hold our Prime Minister and his front bench accountable. Let's do that as a government and hold them accountable and let's put this country back on track.

**Mr PETER O'NEIL** (Ialibu-Pangia) – Thank you, Mr Deputy Speaker, for giving me time to make a short statement in support of the Shadow Treasurer. But firstly I wish to thank the Treasurer for tabling this Supplementary Budget.

Of course, his focus was aimed at insulting me all along but that is fine, we have to be held accountable for some of our actions. But getting facts right and doing so, would be useful in this debate.

Let me also thank the Minister for Planning. In fact his speech was much better than the Treasurer. It should have been the Treasurer's speech.

**Mr PETER O'NEIL** (Ialibu-Pangia) – Thank you, Mr Deputy Speaker, for giving me time to make a short statement in support of the Shadow Treasurer. But firstly, I wish to thank the Treasurer for tabling this Supplementary Budget.

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Let me also thank the Minister for Planning. In fact, his speech was much better than the Treasurer. It should have been the Treasurer's speech.

In any case, Mr Deputy Speaker, I want to speak on two issues. One, the budget, in comparison to 2020 Budget, nothing much has changed except a revenue drop of K2.7 billion. The expenditure remains the same, around K18 billion. And to maintain that expenditure, there is a small cut of about K700 plus million which is coming from goods and services.

In fact, much of the cuts should have come from salaries and wages but instead we've increased the salaries and wages of public servants by K90 million. Over K800 million is being cut on goods and services, Mr Deputy Speaker I am worried that all our schools and hospitals who receive the bulk of this money will continue to miss out. So far the disbursement of what was budgeted for 2020 to those sector alone, is less than 20 per cent as we speak. Many schools are closing throughout the country because they don't have enough funds to operate till the end of the year. So, further cuts to goods and services will contribute to that event more. That's the reality that we live in. So, instead of making real cuts to the expenditure we are having these goods and services superficially to balance the budget.

Mr Deputy Speaker, from 2020 Budget of almost K4 billion deficit, we are now increasing it to K6.6 billion as the Shadow Treasurer has stated. And the argument is because of a drop in GDP, a drop in GDP of K10 billion is from the estimates of the 2020 Budget. It's not real in test. The actual drop in GDP is from K84 billion in 2019 and now what you are projecting is K81 billion. So the real drop is about K3 billion.

So, what you are doing is increasing the borrowings to finance that. That's what you are doing. Simply, K6.6 billion will be the largest deficit in our history as a country.

Now the question that we need to ask is that, can we afford it? On your Budget papers you are saying that to finance this, you will go and borrow K4.3 billion or so, externally. Now you have got three more months to that. Is this realistic enough? I do not think so.

That is why this Budget needs to be reviewed. Make cuts where it is necessary. The escalating costs of Government Salvation Wages Bill, over K5 billion; no country like ours can afford that. That is why it is important that the Government must assign a team together and address it, once and for all. We are leaving it to the bureaucrats and they are continuously increasing the wages bill. Then we are put in a situation where we see ourselves as no choice.

Mr Deputy Speaker, I urge the Treasury Department to re-look at these numbers. But, in terms of the numbers that the Treasurer himself has quoted in Table 7, the debt that my Government left in June 2019 was K27 billion. And at the end of the year, your actual figures of 2019 is K33 billion. These are your numbers. I am quoting from your numbers. How could you say that it is fake? These are the figures that you have presented. So, Mr Deputy Speaker, we must have the actual numbers or facts to debate on this Floor.

Mr Deputy Speaker, when we borrowed K6.6 billion this year plus the half of 2019, we are increasing our debt levels to almost K42 billion by the end of this year. That is a massive of almost K10 billion borrowing in less than 16 months. Where are we spending that money, Mr Deputy Speaker?

Mr Deputy Speaker, spending that kind of borrowings in consumption does not really stimulate the economy. To create jobs, the Government must make investments. Investments in infrastructure and in projects will create jobs and stimulate the economy. That will also increase your revenue base.

For the first time in 18 years, we are going into negative growth of about 6 percent. That is a huge drop. For 18 years, we had that continuous growth even though there were some small growth.

So, Mr Deputy Speaker, I think it is important that we re-look at the Budget and that is why I support the call by the Shadow Treasurer. The Treasurer needs to go back and do his job. Simply adjusting the *Fiscal Responsibility Act*, so that it gives you room to borrow more is irresponsible. We have to give credit to people like Bart Philemon, who brought this to make sure that we are disciplined. It is a huge increase; 60 percent. It gives governments lack of accountability, if we are going to borrow up to that level.

to raise debt as you plan to. You have not fully exhausted it yet. Just to go out there and control the Central Bank into your whims is not good enough.

72/10

This is why our Opposition will not support this particular amendment and it is important that the Treasurer, takes stock that just by simply increasing debt to finance your shortfall in revenue is not good enough.

Honourable Members, our nation deserves us to be responsible. That is why it is important that we cut where it is necessary.

Therefore, Mr Speaker, I support the Shadow Treasurers call for the Government to re-look the Budget, you have few more days to go, and it is important that these amendments are shelved as well.

Thank you, Mr Deputy Speaker.

**Mr JAMES MARAPE** (Tari-Pori – Prime Minister) – Thank you, Mr Deputy Speaker, for allowing me to offer my response or commentary in support of the Treasurer, Honourable Ian Ling-Stuckey and the Ministerial Economy Committee Team who assisted; our Planning Minister, Honourable Sam Basil and the Finance Minister, Honourable Rainbo Paita.

Mr Deputy Speaker, I would firstly, like to thank the Treasurer and his team for delivering to us the MYEFO and the Supplementary Budget 2020, as we word this war against the unseen enemy Covid-19 and we are possibly operating in the toughest year of our 45 years of Nationhood.

Mr Deputy Speaker, when this year commenced no one, let alone myself, envisage that the global pandemic would be wreaking havoc throughout the world including Papua New Guinea. The external shock of this magnitude has been labeled by governments and economists as a one in a hundred-year's event, indeed a black swan event. Unfortunately, this has happened in our lifetime and the first ever for Papua New Guinea since it gained Independence, 45 years ago in 1975.

Our starting point in 2020, was the point of extreme tough prevalent economic conditions where fundamentals were weak, caused by years of extra ordinary economic mismanagement.

The former Prime Minister, has spoken, I have worked with him and I admit that there were somethings that we did right but there were many things also that we did wrong, mostly

led by himself. He just could not listen to good economic and governance advice. He was recklessly borrowing and securing contracts mostly in non-priority areas with little commercial or economic return to our economy and country. If the economic fundamentals of our economy were strong, our discussions today will be different and our strategy would have been different.

Mr Deputy Speaker, I think you would be very challenged if you found any government in the world, that has not delivered a speech like what our Treasurer, the Minister for Planning and myself are doing today. These are unprecedented times led by the circumstances of Covid-19.

Mr Deputy Speaker, the plans outlined in the 2020 Budget handed down in November, last year, provided a clear blueprint to recovery from eight years of unrelentless and irresponsible borrowing. This included a total of K37 billion debt legacy left behind by the O'Neill Government and not K27 billion, as he likes to state all the time under-rating his debt performance.

73/10

For the record, let me state here that 64 percent of that K37 billion is funding budget deficits, 23 percent for announced projects, 7 percent is for hidden arrears and 6 percent is for hidden project financing. The records are there, if anyone seeks detailed reports on these total massive borrowings that we have had in the last eight years.

Mr Speaker, the Treasury has confirmed that international debt increased costs over the lost years of the O'Neill Government drastically increased from K44 million in 2012 to over K423 million in 2019.

The increased borrowing for expenditure has not translated to greater efficiency and productivity in our economy and Papua New Guinea has been negatively impacted by this. Our Government has had to pay back interest on the K37 billion public debt incurred by the reckless borrowing of the former regime.

Mr Speaker, let me state again that our Government has had to pay back interest for one to have the audacity to talk about recklessness. We have inherited this problem and we are not complaining. This is part of our mandate. But to make a statement of fact when you say there is no record of what has happened to last year's money, then, I say a big chunk of that has gone to repaying the K37 billion debt that we are shouldering.

For the records, in 2019, K2 147 million in debts has been repaid. In 2020, K2 110 million was paid into the same debt. Similar trends will run for the next 10 years. Our country has been short-changed by over K2 100 million per year or more than half of our own government capital investments of K3 700 million per year. This is much needed cash for development that now goes to consistent loan repayments rather than rural roads and agriculture supports where the majority of our people live. A classical case would be a road from nowhere to nowhere and this is the investment we are repaying today. This is why I could not compromise "Connect PNG" for the rest of the country.

Mr Speaker, in addition to the above liabilities, my Government has had to pay down a massive cumulative arrears bill of K4 billion incurred in the last 10 years which was never attended to by the former Prime Minister, let alone, taking stock and tracking these bills for the better of everyone. When I served as the Finance Minister, never once did I receive one instruction from my boss then that these are important and we should retire them.

For the first time ever, my Government started a process of retiring these debts in the 2019 Supplementary Budget and continuing with the view to halving it by 2022. We are now putting in place a better tracking system for invoicing payments systems through a centralised system at treasury assisted by finance. You only have to ask the Works Minister who is here today. Giving contracts after contracts but we never had the guts to pay them. For the first time last year with no reservations, we released K300 million to the Department of Works and Implementation to retire all these debts

**74/10**

We find more bills coming from the cupboards of government machineries including: Court Order bills, APEC Bills, 2015 PNG Games service providers bills, Works contracts, hire cars, communication and utilities, Superannuation unfunded liabilities, land compensations, consultancy, legal, office rentals, and many more.

The Marape-Steven Government is writing the wrongs of the past. We will prosecute those who have stolen money that has been borrowed. For instance, those who gets contracts and using these contracts to build hotels and do businesses in our country. We will freeze the assets of criminals, recover the stolen funds, use the proceeds of crime to recover our economy and deliver health, education and good infrastructures for all Papua New Guineans throughout the country.



Talking about strategy, this is just one little strategy in a big picture. To assist this, we will pass the ICAC Bill in November and with the use of the *Whistle Blowers Act* and proceeds of crime, we will mitigate corruption that has eaten people's money either from the budget or through borrowings and many other sources including bilateral and multilateral sources.

The Marape-Steven Government will not sit silent. We will recover stolen money and return it to our people. We will ask our foreign governments and multilateral lenders to provide full disclosure on anomalies and fraud as far as fraudulent contracts are concerned.

Mr Deputy Speaker, my government inherited an economy with weak fundamentals including prevalence of corruption together with the effects of Covid-19 thereby positioning the country in a very precarious situation that no other Prime Minister has dealt with ever since Independence.

Mr Speaker, Covid-19 has been devastating for both developed and developing economies as per the World Bank Economic Outlook Update June 2020. The United States for instance, has recorded a recession and a current debt to GDP ratio of above 107 per cent. This figure is expected to grow to 141 per cent by the year end and 146 percent by 2021. This is World Bank's statistics and not James Marape's statistics.

Mr Speaker, the United Kingdom current debt GDP ratio sits at 102 per cent and is expected to decline to 100 per cent in 2021. The debt to GDP ratio in Japan is expected to reach 250 per cent by the end of 2020. Closure to home, Australia announced two consecutive quarter declines in GDP, a 0.3 per cent and 0.7 per cent and ends the first recession since the early 90s and the worst recession on record. Currently the Australian debt to GDP ratio is staring at 45 per cent and expected to close out the year at 56.8 per cent, then further rising possibly to more than 64 per cent in 2021.

As for our Pacific Island brothers and sisters who are mostly third world in terms of minimal or no Covid-19 cases, unfortunately, their economies have been disseminated through travel restrictions and loss of remittances as most are reliant on tourism and labour mobility for their national revenue.

According to recent estimates from the Fijian Government and the ANU, Fijian government for instance, has debt to GDP ratio currently at 48 per cent and is estimated to grow to 80 percent by 2021 as they carefully consider the next steps to salvage their economy.

Overall, for emerging market economies, the estimate for average debt to GDP ratio is that, it will increase in 2020 from an initial estimate of 56.3 percent in January to a revised estimate of 63.1 percent in June.

75/10

Mr Deputy Speaker, this is driven by the average increase in the budget deficits from a minus 5.1 percent estimate in January to a minus 10.6 percent estimate in June update. I support the Treasurer in the work that he is doing simply because under struggling and stressful time we are maintaining composure. The Treasurer has outlined some bold actions that requires strong leadership and uncompromising pursuit to ensure PNG economy remains resilient in these trying times. This includes adjusting fiscal strategy upwards to debt to GDP ratio of 60 percent, to accommodate the debt legacy over the last eight years as well as managing ongoing implications to prudent reductions of deficits. We also have to ensure appropriate Covid-19 expenditures are in place to combat both the health and economic impacts of this deadly pandemic. We are adopting a broad ranging response to support our economy in this most difficult time whilst seeking to deploy all possible monetary tools and only applying quantitative easing as a last resort but as used by other nations in as far as mitigating Covid-19 effects are concern.

Mr Deputy Speaker, its nothing secret but all in the interest of maintain composure in an economy and to stimulate it. Coming to *Central Bank Act* to implement our strategy for better cash management within any year, and announcing a broader review to ensure that the Central Bank is aligned with international best practice's, including whether the Governor of the Central Bank should be deciding monetary policies and these reviews are needed. The times in which the then Mekere Morauta Government came into office slightly similar to this time but the conditions prevailing then were different.

Today our population has increased and I hear very carefully what the Member for Ialibu-Pangia has mentioned, that we should not touch the independence of the Central Bank. But we are making the Central Bank becoming a responsible player in our economy and not being a

*(Members interjecting)*

Mr Deputy Speaker, whilst we are doing this to ensure that there are legal compliances. Past Governments are known to have worked with the Central Bank Governors on the side and whilst quantitative easing may not have been the practice directly but indirectly, the Central Bank has been supporting budgets thus far at the request of former Prime Ministers. We are trying to do it, not at the request of Prime Ministers for the convenience of an occasion but through a formal legal mandate and trust; and not drinking at a pub and requesting K100 million to be printed tomorrow. We want to do it legally.

The outward direction of the fiscal strategy to 60 percent debt to GDP ratio is attributed to the effects of Covid-19 by the decline in the global commodity prices resulting in the decline in the PNG economy. And the Treasurer without hiding numbers put it in its place and without shame, admitting that this year our revenue dropped by K2 billion and our GDP base is shrinking by over K10 billion and a lot of facts contribute to this one. We have not only blamed government of past for borrowing but we also blamed that some of us, circumstances and actions may have caused it as alluded to clearly by the Treasurer in his speech.

Mr Deputy Speaker, we have outlined our polices and we are confident that, with the strategy that the Treasurer is deploying, we will stimulate the economy.

76/10

As we look around the world all countries are dealing with tough times and with tough economic times you have to be blunt sometimes and act differently. This is what we are doing today.

For instance, the Global Public Debt has grown upward and it sits over 101 per cent in 2020. This is and the only other time in earth's history, it has reached a very high-level percentage similar to the period when the world was coming out of World War II. I have attached in my speech for those who care to read a graph sourced from the International Monetary Fund in the 1945-1946 Global Public Debts. Today we face the same predicament. The world is not in the same place as it was around this time last year.

Mr Speaker, a major strategy adopted across the globe to mitigate the decline in revenue and stimulate economies has been to implement quantitative easing by the Central Bank. Our current legislation is yet to achieve good international practice while protecting the Independence of the Central Bank.

The Marape-Steven Government has been considerate in assessing current circumstances. We know we are too conservative in our approach on temporary cash advances compared to the rest of the world so we will revise this is in line with international norms. More broadly, 20 years on since our Central Bank Act, it is wise to sensibly review present arrangements so that we work within the law instead of working informally outside of the ambits of the law.

There is scope to mordermise our Act in line with international good practice. This is a very timely review and as Papua New Guinea has been much more restricted as other countries, we will go down this path to look into our Central Bank to ensure it becomes extrovert and a player in our economy instead of holding back. This is part of our strategy to move forward on the road of recovery.

Mr Speaker, firstly, whilst our Global Economy Outlook remains uncertain the Marape-Steven Government has constructed a carefully considered road to recovery plan to reinvigorate PNG's Economy and ensure we are on track. This includes, optimising the capacity of the PIP Budget and directing it towards projects that can deliver economic and commercial outcomes for PNG. For instance, roads to where cash crops such as cocoa, copra, coffee are instead of roads leading to nowhere.

Mr Speaker, secondly, strengthening PIP Budget utilization rate below 50 per cent up to 2018, that was the track in as far as PIP Budgets are concerned. Now, we are tracking PIP to about 60 per cent and we want to head towards 80 per cent.

Let me clarify this again, before 2018, despite appropriating money in the budgets, the rate of delivery of implementing to what is intended was below 50 per cent but we are now delivering at up to 60 per cent and we commit to go up to 80 per cent. The PIP is the focal point of investing in the economy and not just on recurrent expenditures.

Thirdly, paying out unfunded contracts. The retirements incurred in the last eight years which total up to K581 million for 2019 and K1 052 million for 2020, as part of an unsettled K4 billion domestic arrears incurred in the last 10 years.

Mr Speaker, so when we talk about building infrastructure needlessly remind ourselves, we have left behind huge arrears we have not paid.

77/10

Fourthly, effectively reforming our State-Owned Enterprises addressing some of the hidden K6 million debt parked in many of our State-Owned Enterprises.

The Marape-Steven Government will improve the exerting capacity of those implementing agencies through strengthening project management facilities within the Public Service and State-Owned Enterprises.

Mr Speaker, this Government is closing out Phase 1 of its Policy Based Programs in year one and we will continue this into the next five years. These includes; Connect PNG, Special Economic Zones, Micro-Small Medium Enterprises and Agricultural Loans and we are assessing university and college students through our health program. These are some of our Policy Base Programs that I will not compromise.

Mr Speaker, let me place on record the fight that the Treasurer, Ministers for Planning, Finance and myself with the Public Service who want to maintain a huge cost, level of spending in the recurrent side. This was one of the reasons why this Paper got delayed by days because they fought to maintain their status quo in as far as recurrent expenditure is concerned.

Contrary to what the former Prime Minister has mentioned, have cut recurrent were we felt, such as the hire cars, workshops and conferences, the meetings and the purchase of vehicles. We have not touched what is meant for schools and essential services like the Health Sector. Those unnecessary bills amount up to the millions.

Mr Speaker, for the former Prime Minister, to have the audacity to talk about Public Service waste cut, I must remind him that he was former Minister for Public Service and if those key policies were put in place, this country would be in a better place today.

Mr Speaker, I am not blaming the former government, I am just stating facts to ensure that as we move into the future we have to do better as a government. We have approached the Supplementary Budget responsibly, by putting money into PIP, infrastructure, districts, provinces and funding key areas that we feel must be supported. For instance, allocating a small but important allocation for price stabilisation in our commodities like coffee, cocoa, copra, vanilla and oil palm, just to name a few.

This is where majority of our people are and not in the oil, gas and mining sectors; yet, we have never put money to where this people are. We have already distributed K111 million per se for agriculture through our districts and provinces and K500 000 each for SME interventions.

Mr Speaker, in these tough times we want to use the Budget as a tool to stimulate the economy when private sector activities have slowed down government-led development activities must take place in an economy.

Our government programs are deliberately structured in a way where expenditures are taking place in areas where our people are through the districts and provincial treasury outlets and to key central government departments that run infrastructure constructions. These are areas where we are putting our money to ensure that money is reaching the people and keep our economy running through these trying times.

Mr Speaker, our focus on districts and provinces can deliver employment.

78/10

I don't know about you but my district has 10 contractors who work to service my district and employ a minimum of 20 people each. You do the math, 10 times 20, that's 200 people engaged at the lowest level, in the district. And when 200 each is engaged in the entire 89 districts, let me get my calculator and calculate it. Yes, over 17 000, but just to bring home a point when someone on the other side cries foul, saying we're not doing enough for employment, Mr Speaker.

Mr Speaker, 17,800 people on average. If a district based contracting system is running, districts can be creating employment, either directly or indirectly for over 17 800 Papua New Guineans. Not only in Port Moresby are people looking for employment, I'm talking about right across the country; employment at Karimui, employment at Telefomin, employment at Middle Ramu, employment I Kavieng, Chuave and all over the country. And of course, we've distributed fairly to the opposite side too.

And to the governors, let me assure you, we have not cut your entitlements in this budget. When you add employment at provincial governments through operating provincial treasuries, the number keeps on compounding. When you talk about employment at buying back coffee and copra at the right price, this will further compound numbers.

We have been so focused on a narrow-tunnelled view, worrying about Porgera, Ok Tedi and Kutubu.

Mr Speaker, how much have you given to those people and you are worrying about those projects. Have you sealed their roads? Have former Prime Ministers and former Treasurers done anything there? Nothing! What if those people shutdown those projects? What are you going to do?

Today is the time we start to invest in areas that can yield dividends for our country; not just today but forever.

Agriculture and rural Papua New Guineans hold the key. This government and the Budget is focused on the rural Papua New Guineans. The onus is really up to us Members.

The Treasurer has delivered to his word in 2019 when we passed the 2019 Supplementary Budget and the same questions were posed. Treasurer, how are you going to fund to retire 2019 Supplementary Budget? To the dismay of the opposite side and to the joy of this side, we delivered the 2019 Supplementary Budget by almost 100 per cent. Credible international lenders giving money at almost no interest rates to us came on board and they helped us.

Mr Speaker, we are prudently investing in areas that will grow our economy, entrusting our districts and provinces and releasing funds into agriculture, funding roads and bridges, investing through connect PNG strategy whilst maintaining essential services like health and education.

Our budgets, the 2020 Supplementary Budget and the 2021 Budget will be used to stimulate our local economy during these tough times we are in and to ensure that we maintain some sense of composure and to help contribute to ensuring the country is moving and growing in the right places.

Mr Speaker, it would be unfair of me not to make mention at this time of some of the work we are trying to do and are doing. On September 16, I will announce to our country the status of the projects we have before us including. Wafi-Golpu, Papua LNG and Pasca. In fact, Papua LNG should have gotten off the block but due to circumstances only beknown to our investment partners, they have held it back.

**79/10**

So, I will be announcing the status of these projects; Porgera, Papua, Pasca, Wafi-Golpu and P'nyang. But these are just like infusing steroids when we need the steroid to be infused. We have to be honest as we work to build our economy together.

Tough times require tough people to get up and get going. From a National Government's perspective, we will try our absolute best to support the other districts and provinces.

I ask through you, Mr Speaker, that as we utilise the Budgets that the Treasurer is trying to reconfigure, maybe utilise it in creating jobs or to invest in agriculture and roads throughout the country.

With this, let me commend each and every one of you for your support of this Budget being done under tight times by our Treasurer. Our nation being 45 years of independence and now we are facing the stiffest challenge but like the Governor of East Sepik said earlier,

we have remained resilient and we have survived the test of time. We will survive this one as we pick and rebound from this, going into the future.

Thank you, Mr Speaker.

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

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

Bill read a second time.

### Message from the Governor-General

A message from His Excellency the Governor-General was announced, recommending the expenditure of Public Monies in accordance with *Section 210* of the *Constitution* in so far as the Bill relates to, and provides for such expenditures.

### Third Reading

Leave granted to move the third reading forthwith.

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

That the Bill be now read a third time.

Mr Speaker, I fore-shadowed the amendments to this Bill in my statement a while ago, the *Supplementary Appropriation Bill 2020*. We are now debating provides a sum of K2 295 500 000 per year, ending 31 of December 2020, our current financial year. As required under *section 209 (2c)* of the *Constitution* as amended, this *Act* reduces appropriation for 2020 operational expenditure by K1 557 500 000 and 2020 capital expenditure by K738 million.

The *Act* will reduce and re-appropriate the account for the purposes identified in this *Bill*. So this particular *Supplementary Appropriation Bill 2020* has four parts.

Part One: Reduces appropriation from the 2020 operational expenditure by the total of K1 557 500 000 and further reduces the appropriations from the 2020 capital expenditures by K738 million.



80/10

Part Two: Re-appropriate K711,500 million all the reductions from operational expenditures in part one and re-appropriate K847 million of those reductions derived from capital expenditures and part one identified in those bills.

Part Three: Reduces the 2020 appropriation of K18,726,444,202 million by K737 million resulting in a revised 2020 appropriation of K17,989,444,202 million.

Part Four: Appropriate additional financing of K1,553,500 million from domestic and external sources to finance revised 2020 capital and operational expenditures.

Mr Speaker, I now commend the bill.

Motion – That the question be now put – agreed to

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

Bill read a third time.

**PAPUA NEW GUINEA  
FISCAL RESPONSIBILITY (AMENDMENT) Bill 2020**

**First Reading**

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

**Seconding 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 Deputy Speaker, I fore-shadow the amendment to this Bill in my ministerial statement a while ago. My statement set out reality that the drop and the size of our economy has lifted to debt to GDP ratio above the previous limit.

The Covid-19 pandemic has also hurt our Budget and will continue do so, at least into next year. The amendment raised the ceiling for the debt to GDP ratio from 45 per cent to 60 per cent. This is just one of the new realities we have to deal with as a consequence of years of economy mismanagement and now a once in a century global pandemic.

Mr Speaker, I commend the bill.

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.

81/10

### **Third Reading**

Bill, by leave, read a third time.

## **CENTRAL BANKING (AMENDMENT) BILL 2020**

### **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, I foreshadowed the amendments to this Bill in my statement this afternoon. Section 55 of the *Central Banking Act* allow for temporary advances to the government for the purposes of cash flow management. PNG's limit on temporary advances is unusually low as I have explained earlier in economic comparison. So, the amendments to the *Act* adjust the temporary advances so that it is in line with international averages with the advance limited to 12 per cent of the average of recurrent revenue including donor grant but excluding the ones on asset sales or the equivalent averaged over the past three years.

The maximum length of the advance is also increased to 12 months. This will provide additional flexibility in 2020. It means the temporary advance can be repaid when the international funds are received as well as assist at the beginning of 2021 when cash funds are usually short and expenditure for schools and other core activities should commence

Mr Speaker, I commend the Bill.

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.

82/10

## **SUPERANNUATION GENERAL PROVISIONS (AMENDMENT) BILL 2020**

### **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, the Superannuation Bill is part of the Government's K5.7 billion economic stimulus packages to address some of its economic and social challenges associated with the Covid-19 pandemic. This Bill is to provide assistance for those members of the authorised Superannuation funds whose employments are terminated by their employer as a direct or indirect result of the Covid-19 pandemic. The Bill allows the workers to access voluntarily part of their contributions early to sustain their livelihoods in the challenging environment they have found themselves in. The estimate is that this Bill will provide up to K600 million with early access to the member's own contribution.

Mr Speaker, I commend this Bill.

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.

### **MOTION BY LEAVE**

**Mr RAINBO PAITA** (Finschhafen – Minister for Finance) – I ask leave of Parliament to move a motion without notice.

Leave granted.

## MOTION BY LEAVE

**Mr RAINBO PAITA** (Finschhafen – Minister for Finance and Rural Development) – I ask leave of Parliament to move a motion without notice.

Leave granted.

## SUSPENSION OF STANDING ORDERS – REARRANGEMENT OF BUSINESS

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

That so much of the *Standing Orders* be suspended as would prevent Notice No. 224, Government Business, being called on forthwith.

83/10

## THE JOINT FORCES COLLEGE OF PAPUA NEW GUINEA BILL 2020

### First Reading

Bill presented by **Mr Saki Soloma** and read a first time

### Second Reading

**Mr SAKI SOLOMA** (Okapa – Minister for Defence) – I move –

That the Bill be now read a second time.

Mr Deputy Speaker, it is my pleasure to introduce to Parliament the Joint Forces College of Papua New Guinea Bill 2020.

The purpose of this Bill is to provide for the establishment and incorporation of the Joint Forces College of Papua New Guinea and to repeal the Joint Forces College of Papua New Guinea by the charter 1951 by Her Majesty Queen Elizabeth II.

Mr Deputy Speaker, the idea of re-establishing the three Discipline Joint Forces College now to be renamed Joint Forces College has been in Papua New Guinea Defence

This was also highlighted in the PNG Vision 2050, which recommends for immediate establishment of a National Security Academy.

It identified the lack of culture of coordination and co-operation amongst the security agencies in performing the respective responsibilities contributes to ineffective management of law and order and increasing in security in the country.

As per the Vision 2050 pillar 4, national security is imperative as it is meant to protect the nation, its people, resources and investment in the country.

The national security is a matter that concerns all and at the heart of it are the three discipline forces assisted by other security agencies.

These cohesions form the basis for all government approach to national security as articulated in the National Security Policy 2013.

The co-agencies of national security are the three discipline forces. Therefore, they need to strategise, synergies, collaborate and co-operate to be able to inter-operate and address national security jointly. The starting point for synergy and co-operation is joint training of the leaders of the respective forces of the Joint Forces College.

In 2013, at the direction of Commander of PNG Defence Force, the former Joint Service College was revived this time as the Defence Academy with the big picture of National Security Academy in mind.

**84/10**

Mr Speaker, I must acknowledge that in 2015, the former Prime Minister, Honourable Peter O'Neill, further affirmed and reinforced the direction to re-establish the JSC whilst officiating at the 'Defence only' Cadet Graduation at the Defence Academy.

A Technical Working Team comprising of senior officers of the three Discipline Forces took on the responsibility of re-establishing the JSC. The key activity was to develop a legislation that can form a firm foundation for the College. Hence this Bill was drafted and endorsed by the NEC to be tabled in Parliament.

Mr Speaker, the following are some main highlights of The Joint Forces College of Papua New Guinea 2020 Bill

The Bill establishes the College which is comprised of the following schools:

- (a) Joint Forces Academy; and
- (b) School of Strategic Studies; and
- (c) Command and Staff College; and

(d) Leadership School

Some of the objects of the College are:

(a) to graduate officers who are trained in an environment conducive to producing highly disciplined, mature, responsible, loyal and honest officers to carry the three disciplined forces; and

(b) to deliver high quality and competent courses for cadets; and

(c) to competently produce high quality cadets

The College has power to grant degrees, diplomas, certificates or other academic awards as authorised by the statutes and as the college determines.

The College consists of the following authorities:

(a) The Council, which is the principal executive authority of the College; and

(b) The Training and Academic Board, which is the principal academic body of the College; and

(c) Such other authorities as may be established and declared by statute to be authorities of the College.

The Council consists of –

(a) The Head of the PNG Defence Force;

(b) Commissioner of the Royal PNG Constabulary;

(c) Commissioner of Correctional Services;

(d) Representative of the Department of Prime Minister & the National Executive Council, particularly the officer dealing with national security matters;

(e) Head of Department responsible for higher educational matters; (f) Commandant of the College;

(g) Deputy Commandant of the College; and

(h) Five other members appointed by the Council of whom two shall be women,

Mr Speaker, the passage of The Joint Forces College of Papua New Guinea 2020 Bill and the subsequent establishment of the Joint Forces College would demonstrate the Government's priority on the country's national security.

Therefore, I urge all Members of this House to agree and pass this Bill.

Mr Speaker, with that, I commend this Bill to this honourable House.

Mr JAMES MARAPE (Tari-Pori – Prime Minister) – Mr Speaker, this is a step in the right direction to show good leadership in our disciplinary forces. We have allowed it to go off for a long time.

Let me thank the Ministers of the three disciplinary forces led by the Minister for Defence and heavily supported by the Ministers for CIS and Police. We want to have one good, strong college setup so that we can train all our officers. The Military, Police and CIS are command base operations but currently we are recruiting grade 12 school leavers or junior officers who eventually become inspectors and they totally don't know how to control forces below them and the entire command structure collapses.

So, as part of a strategy towards strengthening law and order, this is a step in the right direction and I want all of us to support the minister. Good job and this is something that all of us can be truly proud of as a legacy which we are setting for our country.

Let me commend all of us to support the Bill.

Thank you, Mr Speaker.

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

85/10

#### Message from the Governor-General

A message from His Excellency the Governor-General was announced recommending the imposition of taxation in accordance with *section 210* of the *Constitution* insofar as the Bill relates to and provides for such imposition.

#### Third Reading

Leave granted for the third reading to be moved forthwith.

Motion (by Mr Saki Soloma) proposed –

That the Bill be now read a third time.



**Mr CHRIS HAIVETA** (Gulf) – Thank you, Mr Speaker. I stand to support the Bill also.

It is important to provide the curriculum on leadership in the three; Defence, CS and Police. But, on the curriculum where the council has to look, the ethos of discipline and leadership for CS officers as well as Police and Defence are quite different.

So, Mr Speaker, I am asking the Minister, in the curriculum that the council has the power to formulate, the council must ensure that the three streams of officers, if they have a common curriculum, must be streamlined and carefully monitored. This is so important for the security of our country.

Mr Speaker, the other question I want to ask the Minister is that, the Defence Command seems to have the power to appoint, through the Commander of the PNGDF, a colonel to take charge of this college.

I want to ask why, when this in fact should be rotated amongst competent officers of a similar ranking within CS and also the Police.

And if that is so, where the council has the power to also recruit officers from elsewhere outside of the country, experts in the various fields, then the council must have that power to also appoint those officers in staffing.

The Bill is lacking, in my view, in those areas and I would like to respectfully ask the Minister to look into those areas make sure we have those clear demarcations, either through regulations or through amendments to the Bill.

With those few comments, I fully support the Bill that we are about to pass.

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

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

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

**86/10**

(Voting in progress)

**87/10**

The Parliament voted (the Speaker, **Mr Job Pomat**, in the Chair) -

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

**86/10**

(Voting in progress)

**87/10**

The Parliament voted (the Speaker, **Mr Job Pomat**, in the Chair) -

**AYES – 82**

**NOES – 0**

Bill Passed with the concurrence of an absolute majority as required by the *Constitution*.

Bill read a third time.

#### **MOTION BY LEAVE**

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

Leave granted.

#### **SUSPENSION OF STANDING ORDERS – DISCHARGE AND APPOINTMENT OF CHAIRMAN, DEPUTY CHAIRMAN AND MEMBERS TO VARIOUS PARLIAMENTARY COMMITTEES.**

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

That so much of the Standing Orders be suspended as would prevent me moving a series of motion relating to the discharging and appointment of Chairman, Deputy Chairman, and members of various Parliamentary Committees.

That Mr William Nakin and Mr Isi Henry Leonard, be discharged as Chairman and Deputy Chairman of the Committee and that Mr Isi Henry Leonard be appointed Chairman and Mr William Nakin be appointed Deputy Chairman of the Committee respectfully.

**PERMANENT PARLIAMENTARY COMMITTEE ON  
PRIVATE MEMBERS BUSINESS –  
APPOINTMENT OF MEMBER**

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

That Mr Toboi Yoto be appointed member of the Committee.

**Mr RAINBO PAITA** (Finschhafen – Minister for Finance and Rural Development) –  
Thank you, Mr Speaker. Before I move my last motion, I want to thank the members of this House, the Government and the Opposition for their attendance.

On this occasion, I want to thank the three Opposition Members sitting in the front seats who have been consistently attending the Parliament session. The Opposition Leader, the Deputy Opposition Leader, Shadow Treasurer and the few Members who are here, thank you for your support on those various bills that we have passed and it is been a long session for the last three weeks.

**88/10**

I wish to thank the Members, the Prime Minister, all the Ministers and their Vice Ministers, the Governors, the Speaker and the Deputy Speaker and the Chairmen for making these three weeks very exciting and as we rise, I thank you all for your contributions.

Those Members who are here and those who are not here as they might have their reasons, it is my paid job as a Minister and also as the Leader for Government Business, to remind us that Parliament meetings are very important and we should attend all meetings. Even if the outcomes are good or bad, we all have to attend the session. I again want to thank the Parliament.

## SPECIAL ADJOURNMENT

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

That Parliament at its rising adjourn until Tuesday 10 November 2020 at 2 p.m.

## ADJOURNMENT

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

That the Parliament do now adjourn.

The Parliament adjourned at 6.50 p.m.