



SHADOW MINISTER FOR TREASURY & FINANCE

PO Parliament House

Waigani.NCD

m: +675 71111777

e: chairman@kdda.gov.pg

2018 Budget Must Be Credible

“Re-building confidence in the PNG economy is vital for higher levels of investment and growth. One important element of re-building confidence is to have a credible 2018 Budget.” The statement was made by the Shadow Minister for Treasury & Finance Ian Ling-Stuckey at a community development forum at Noipuas village in the Lavongai LLG area in Kavieng on Thursday 9th November 2017.

“The recent 100-day plan put out by the Minister for Treasury, Charles Abel, had a serious error in its very first dot point ‘1)’. This was an unrealistic claim that the Supplementary Budget would reduce the debt to GDP ratio back to 30%. This appears to be a K1.6 billion error that was never achievable. Such mistakes undermine and even hurt PNG’s economic credibility” said the Shadow Treasurer.

Mr Ling-Stuckey said the 2017 Supplementary Budget did not reduce the debt to GDP ratio back to the 30% level. Indeed, under still very optimistic assumptions, the debt to GDP ratio was only reduced back to 32.1%. Treasurer Abel’s Supplementary Budget misses this debt target by a massive K1.6 billion. This is the difference between the debt target under the 100-day plan and the Supplementary Budget (2.1% of GDP extra debt with GDP estimated at K74.6bn in the 2017 Budget).

The Shadow Treasurer stated “Another part of the first dot point in the Abel 100-day plan claimed the 2017 deficit will be 2.5% of GDP. However, the 2017 Supplementary Budget is still based on the assumption of K850m in dividend payments. At the time of the mid-year update by PNG Treasury, not a single toea of this had been received. Statutory Authorities and State Owned Enterprises cannot afford to both pay such huge dividends and also meet their obligations to provide services. The dividend figures are not realistic and are over-

estimated by hundreds of millions of Kina. This will add to the deficit level and the debt burden”

Mr Ling-Stuckey said “In addition, Treasurer Abel promised in the 100-day plan to maintain the Ward Service Improvement Program. In reality, he well, told a porky! He took away the K64.42 million from every single ward member in the country, including PNC ward members and those that campaigned and put him back for a third term. Trust is not built, it erodes, when you say you will do one thing in a 100-day plan and then do something very different in the budget. It certainly does not restore confidence in the economy.”

The Shadow Minister for Treasury and Finance said the World Bank is not convinced that the Treasurer’s Supplementary Budget is credible. In its most recent forecasts, released 7 days after the Supplementary Budget, the World Bank estimates the deficit will be 3.2% in 2017. Of even greater concern, the size of the deficit is expected to increase to 3.5% in 2019 and 2020.

He said the World Bank currently estimates debt levels will increase to 40.5% of GDP by 2020. The Supplementary Budget adjusted the Fiscal Responsibility Act to aim for a return to a 30% debt ratio over the medium-term. The international umpires at this stage have their doubts and are forecasting differently.

“At this stage, the Minister for Treasury, has a lot more to do to convince the economic community that his budget approach is going to work. The government must work harder to close its massive credibility gap shown over the last 3 months. There are very high expectations and requirements of the 2018 National Budget and for the sake of struggling businesses, struggling families and ordinary citizens, the government must get it right this time” said Mr Ling-Stuckey

Hon. Ian Ling-Stuckey, CMG, MP
Shadow Minister for Treasury & Finance

15th November 2017

EXTRACTS FROM CHARLES ABEL'S 100-DAY PLAN

ENSURING SOUND MACROECONOMIC AND FISCAL MANAGEMENT, RESTORING CONFIDENCE

MAINTAIN FISCAL DISCIPLINE AND BOOST FOREIGN EXCHANGE	
1)	2017 Supplementary Budget
	i) Achieve 2.5% deficit to GDP target
	ii) Achieve 30% debt ratio target
2)	2018 Budget and Medium Term Fiscal Strategy (with 2018 Budget)
3)	Strengthen Government payroll management by implementing the Organisation Staffing and Personnel Emoluments Audit compulsory National Identity (NID) for public servants
4)	Reduction of PSIP and DSIP but maintenance of WSIP

PNG TREASURY TABLE SHOWING UNREALISTIC DIVIDEND REVENUE ASSUMPTIONS

Table 9: Other Revenue – 2016-2017 (Kina, million)

	2016 Actual	2017 Budget	June Outturn	2017 MYEFO	Budget Variation
OTHER REVENUE	633.9	1,346.90	43.2	1,121.80	-225.1
Property Income	551.3	1,130.10	9.7	905.1	-225.0
Interest	0.0	4.0	0.0	4.0	0.0
Dividends	528.9	1,075.00	0.0	850	-225.0
<i>Mining Petroleum and Gas Dividends</i>	300.5	500	0.0	350	-150.0
<i>Dividends from Statutory Authorities</i>	225	375	0.0	375	0.0
<i>Shares in Private Enterprise</i>	0.0	0.0	0.0	0.0	0.0
<i>Dividends from State Owned Enterprises</i>	0.0	125.0	0.0	125.0	0.0
<i>Other Dividends</i>	3.4	75.0	0.0	0.0	-75.0

Source: PNG Treasury Mid Year Economic and Fiscal Outlook July 2017 p21.

EXTRACTS FROM EXPLANATORY NOTES ON THE SUPPLEMENTARY BUDGET 2017

The **Second Part** reduces the appropriations of the 2017 Capital Investment Expenditure by a total of K1, 268, 280,000 comprising:

- K261, 060,000 from various Capital Investment projects. This will leave K334,485,000 for these various projects;
- K168, 000,000 from the Provincial Support Improvement Program. This will leave K42,000,000 for this programme;
- K692, 800,000 from the District Support Improvement Program. This will leave K173,200,000 for this programme;
- K64, 420,000 from the Ward Support Improvement programme. This will extinguish the appropriation;
- K82, 000,000 from the Infrastructure Development Grant. This will leave K38, 000,000 for this programme.

EXTRACTS FROM THE MOST RECENT WORLD BANK REPORT ON PNG

PAPUA NEW GUINEA Selected Indicators	2015	2016	2017e	2018f	2019f	2020f
GDP, at market prices	8.0	2.4	2.1	2.5	2.4	3.0
Mining and Petroleum	8.9	1.8	1.0	1.1	1.1	1.1
Non-mining and non-petroleum	-1.0	0.6	1.1	1.4	1.3	1.9
CPI inflation, period average	6.0	6.7	4.1	4.5	4.3	5.1
Fiscal						
Revenue	18.8	15.4	15.0	15.0	15.0	15.0
Expenditure	23.1	19.9	18.2	18.1	18.5	18.5
Balance	-4.3	-4.5	-3.2	-3.1	-3.5	-3.5
Debt	30.9	32.2	34.8	36.8	39.0	40.5

Source: World Bank East Asia and Pacific Update 4 October 2017 p134