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2018 Budget Must Deal with Debt, Interest and Rollover Crisis

“One of the most important challenges for the 2018 Budget is how to finance the gap between government spending and income. This gap is known as the budget deficit. This gap will add to PNG’s debt levels and must be carefully managed” declared the Shadow Minister for Treasury and Finance, Ian Ling-Stuckey, at a community development forum conducted at mangai village, ward 7 in the Tikana LLG area on Wednesday 15 November 2017.

“As people know, PNG’s public debt levels have been exploding. The actual size of the increase is a near 3 times increase - from K8.4 billion in 2012 to at least K23.9 billion in 2017. PNG families would know if their debt burden trebled, then such debt increases are a problem, especially as revenue has been falling since 2014.

“But these official figures do not cover all debts. We know that there are other very large debts hidden. An example was the Oil Search share loans which were hidden in Kumul Petroleum until they were announced and paid off in September 2017. This helps explain some figures from the Treasury in July that they had ‘extra’ unbudgeted loan cost of K1,175m in 2017.”

“No wonder the government had to dump the Oil Search shares – it was such a massive and problematic deal that should have gone to the Parliament. Such hidden debts on wind-up, according to Kumul itself, cost K760m. The actual costs were likely to be even higher when commissions and other hidden fees are included” said Mr Ling-Stuckey.

“We know that there are extra government liabilities such as in superannuation.

“And another form of hidden debt are the unpaid government bills, many of them legitimate, to thousands of PNG businesses because of the country’s cash crisis” he said.

The explosion in public debt has also led to an explosion in interest costs. These have increased from K335m in 2012 to K1,582m in 2017 after needing another K150 million in the 2017 Supplementary Budget.

“This blow-out in interest costs is nearly double the K600m cost of introducing tuition-free education!

“If the government had been able to keep debt under control, there would be so much extra money for infrastructure, health and education” said the shadow Treasurer.

A hidden issue that poses a major risk to PNG is that the government has had to move to borrowing for shorter and shorter terms. It is having to borrow and then repay more and more and this increases debt roll-over risk.

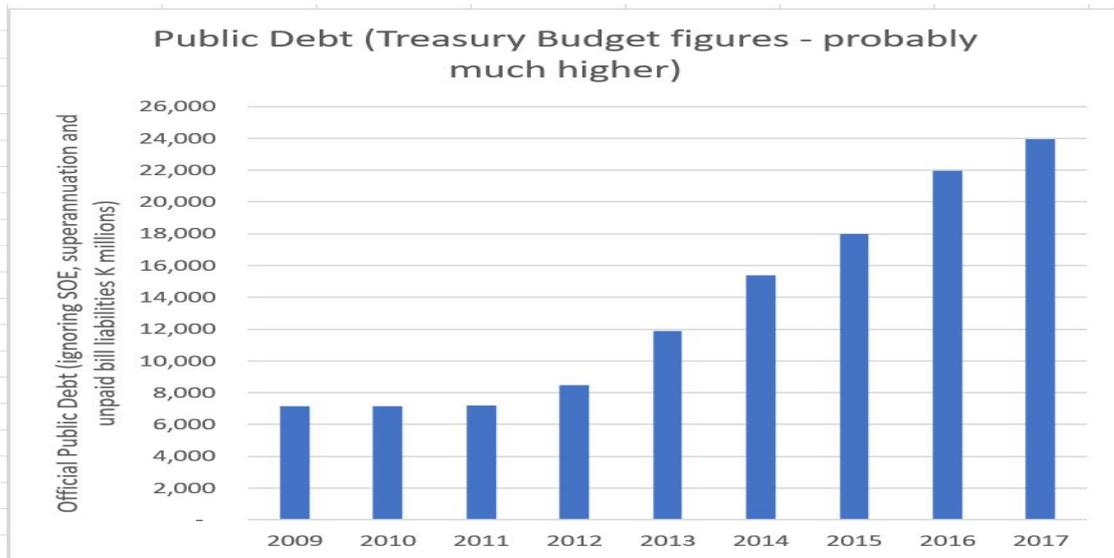
“Total Kina funding required for debt repayments and interest costs under this government have sky-rocketed from K1.5 billion in 2012 to at least K13.3 billion in 2017. This is simply irresponsible financial management” said the shadow Treasurer.

“This means that money available for loan financing has gone to the government rather than private sector investment in starting new businesses, promoting SME's and home loans. After allowing for inflation, credit growth for home loans and private investment is now negative according to the Bank of PNG. This is getting the priorities for growth all wrong.

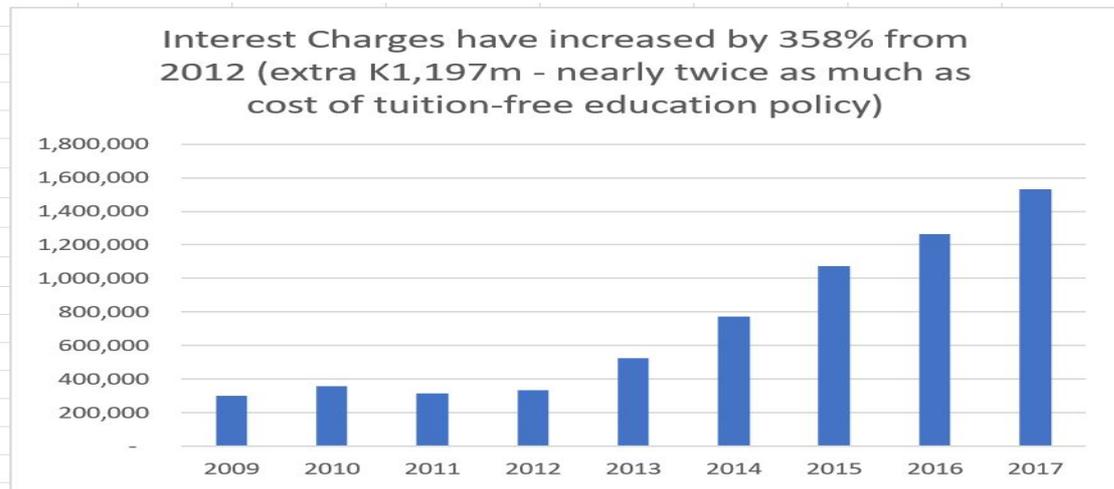
“The people of PNG deserve a government that can better manage debt levels, interest costs and roll-over risks. The Alternative Government is up to such a critical task to save PNG” said Mr Ling-Stuckey.

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

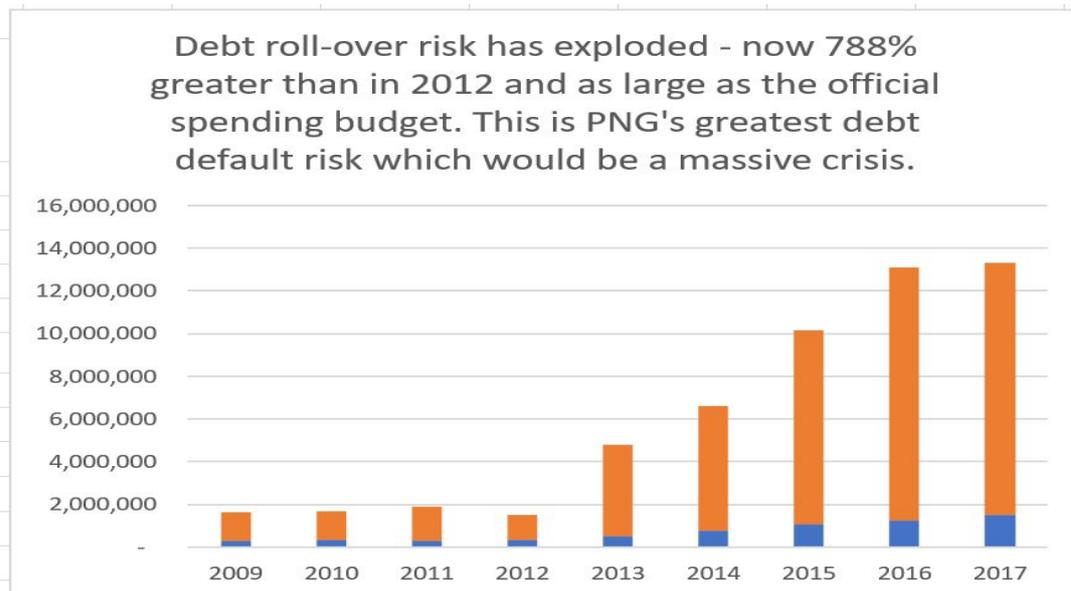
17th November 2017



Source: PNG Treasury documents including 2017 Supplementary Budget with an excessively optimistic debt to GDP ratio of 32.1%



Source: PNG Treasury documents including 2017 Supplementary Budget with an extra K150m on top of the 2017 budget estimate.



Source: PNG Treasury documents including 2017 Supplementary Budget.