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Fake 2018 Budget Means a Failed 100 Day Plan

“The 100 Day Plan from Treasurer Abel is a failure. Fundamentally, the plan was to re-build confidence that the government would fix the economy. Unfortunately, the fake 2018 budget, especially its K2 billion in fake revenue, means the plan has not restored confidence. The 100 day plan is fatally flawed because it fails to provide credibility. When examining the details of the plan, it also fails in many of the claimed accomplishments. Fairy tales are being told to the people of PNG” said the Shadow Minister for Treasury and Finance, Ian Ling-Stuckey.

“The Alternative Government has gone through the fake promises of the 100 Day Plan line by line and compared them to the bed time stories being told by the Treasurer in yesterday's Post Courier article. In a spirit of expose, oppose and propose, we have prepared a detailed table that examines the promises of the plan. While there have been some welcome accomplishments, generally the 25 points in the plan have either failed or there is simply not enough information to judge if the plan has had any impact.

“As I have pointed out several times since the 2018 Budget, the Treasurer is telling some amazing fairy tales which he has repeated in this self-serving, self-assessment of the 100 Day Plan. There is a K14 billion broken promise that there would be no more tied financing yet that is what the government has done with its latest China deal. There is a K1.6 billion broken promise of extra debt over and above the 30% debt to GDP ratio promised in for his 2017 Supplementary Budget. There is K408 million in lower revenues in 2017 that will flow through to higher deficit in 2017 and higher debt in 2017 – facts that he hid in his Budget Speech. There is a broken promise not to cut funding to Wards” said the Shadow Treasurer.

“As a business person, I assess his performance relative to that of the Chief Financial Officer briefing the Board of Directors of a company. Once again, I find that he has been hiding key information on actual debt and debt levels. Once again, I find he continues hiding key facts from the Board. Once again, I find he is being too clever in over-stating achievements in what should be just business as usual for any sensible government.”

“In addition to hiding the true state of the economy, he has also not told the whole truth. Where in his 100 Day Plan did he announce that tariffs on milk and butter would increase by 25 per cent? Where did he tell everyone that fuel prices would jump 15%? Where did he tell the people of PNG that he was going to increase prices on hundreds of day to day products? There are better ways to get jobs and increase incomes for the people of PNG than these costs increases which hurt ordinary families and businesses” said Mr Ling-Stuckey.

“So what is the Treasurer going to do now? Will we have another 100 Day Plan or does he need more time for a 200 day plan? Given the failures of this current plan, possibly he would be better off honestly responding to the factual criticisms of his budget and his existing plans. He would certainly be better off reading some of the Alternative Government policies on how to actually deal with the budget crisis, the foreign exchange crisis and the jobs crisis facing PNG. And frankly, given how bad things have become, we really need to start reaching out more for friendly foreign support. This will mean having to take some hard medicine, but we owe it to our children and their children to start re-building this proud country of ours.

“In the spirit of Christmas and the promises of a better New Year 2018, I do hope the Treasurer will be more open and responsive. The Alternative Government wants to work together to try and stop MV PNG hitting the Lemus reef! And the starting point for finding a solution is to admit that there are problems and admitting when mistakes have been made, including those in the fake 2018 budget and this failed 100 Day Plan” said Mr Ling-Stuckey.

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

19 December 2017

Fake Promises:	Pass or Fail	Facts
100 Day Plan To Kickstart Alotau Accord 2 MAINTAINING FISCAL DISCIPLINE AND BOOSTING FOREIGN EXCHANGE	✗	Fake 2018 budget undermines fiscal credibility. Bottom line deficits look sensible but K2 billion in fake revenue and fake financing destroys budget credibility.
1) 2017 Supplementary Budget		
i) Achieve 2.5% deficit to GDP target	✗	2018 Budget shows 2017 deficit is 3.1% GDP once 2017 K408m revenue shortfall is included – a fact hidden in Treasurer’s speech.
ii) Achieve 30% debt ratio target	✗	2017 Debt to GDP ratio officially 32.1%
2) 2018 Budget and Medium Term Fiscal Strategy (with 2018 Budget)	✓	Released with budget, although not credible because of fake revenue forecasts
3) Strengthen Government payroll management by implementing the Organisation Staffing and Personnel Emoluments Audit Committee (OSPEAC) recommendations coupled with compulsory National Identity (NID) for public servants	?	Not enough information provided. Compulsory NID not yet introduced for public servants.
4) Reduction of PSIP and DSIP but maintenance of WSIP	✗	WSIP cut in 2017 Supplementary Budget. No cuts to PSIP or DSIP in 2018 Budget.
5) Debt restructure and foreign exchange		
i) Drawdown of balance of Credit Suisse Loan	?	Have met two technical conditions but not clear if the drawdown has actually occurred.
ii) Access World Bank and Asian Development Bank budget support funding by March 2018	?	March 2018 deadline so can't fully judge at the moment. ADB funding seems to be only a health program with only K20m provided in 2018 Budget (not \$US300m) and World Bank funding probably subject to agreement with IMF.
6) Import replacement and foreign exchange		
i) Oil Search to provide 50% crude oil to Napa Napa in Kina	✓	But as this reduces exports by an equivalent amount, not clear if any net gain to foreign exchange.
ii) Transition to Gas, locally produced, to fuel PNG	✓	Hopefully on good terms to reduce electricity costs
iii) Implement rice import quota scheme to encourage local production	✗	A bad idea which will hurt consumers because of a massive increase in rice prices. Better to look at options for increasing agricultural exports. No mention made of special dairy scheme or price increases across hundreds of products.
iv) BPNG direct intervention of US\$100m over three months (100 days)	✗	Going very, very slow in chasing money in overseas accounts. Governor of BPNG should specify exactly what action is being taken to get these funds back. \$US100m intervention done but item fails as should continue at \$US50m per month while real action is taken to fix foreign exchange.
GROWING OUR REVENUES	✗	Fake revenues in 2018 undermine credibility of this entire approach to “Growing our Revenue”. Compliance activities fake, dividends fake, bush accounting playing games with revenues.
7) Non-tax revenue agencies to remit 90% of collections to Consolidated Revenue Fund	✗	Partially underway but still requires legislative changes that should have been part of the 2018 Budget.
8) Tax regime reform		
i) Simplify, modernise, leverage strengths of banking system	✗	Medium Term Revenue Strategy included in budget but is undermined by the fake revenue tricks of 2018 Budget.
ii) Implement approvals received from NEC	?	New Tax Administration Bill should have been introduced with 2018 Budget.
9) Establish revenue taskforces for: (i) Lands; (ii) Customs & Illicit Trade and (iii) Company Income Tax to structure a plan to collect outstanding taxes, fees and other charges.	✓	Underway but key is whether corruption and poor compliance is properly dealt with.
10) Compulsory TIN registration		
i) Joint TIN and IPA certificate issuance;	?	
ii) TIN requirement for company bank account opening;	✓	Seems as if good cooperation underway.
iii) Freezing of bank accounts for companies without a TIN after a grace period of 100-days	✗	No mention made that this is underway.
iv) Sweep of bank accounts being used to conceal business income		
STRENGTHENING OUR ECONOMIC BASE	✗	Most of the activities listed are important for PNG and are supported by the Alternative Government. There is no indication that progress is now going faster because of the 100 day plan. More fundamentally, the government is doing some things the wrong way (such as increasing prices), and not doing enough in other areas to deal with the jobs and incomes crisis facing PNG.
11) Ministerial Economic Committee through the National Energy Authority and Mineral Resource Authority to drive major new resource projects:	?	Not enough information provided to determine if these important activities are moving ahead any faster because of the 100 day plan. In particular, Papua LNG and Western LNG do not seem to be on earlier timetable.
i) Wafi-Golpu project early works;		
ii) FEED for PNG LNG Project expansion in 2018; and		
iii) Early works for Papua LNG	?	Final Investment Decision still some time away so unlikely that works will commence until then.
iv) pre-FEED for Western LNG announced in Dec-2017	?	Will be interesting to see if an announcement this late in Dec-17.
12) Launch of new Australian grant funded projects		
i) PNG-Australia Economic and Social Infrastructure Program	✗	Treasurer indicates these projects not launched yet.
ii) ANGAU Hospital re-development Design	✗	Treasurer indicates these projects not launched yet.
iii) Tuberculosis Project co-funded with World Bank	✓	Treasurer indicates financing obtained.
13) Powering PNG		

i) 58MW POM Gas Power Plant ground-breaking	✓	
ii) 30MW PNG Biomass (Markham) Project FID announcement	✗	Certainly no Final Investment Decision (FID) announcement.
iii) Ramu II 180MW Hydropower Plant FID (no State Guarantee)	✗	Certainly no Final Investment Decision (FID) announcement.
iv) Naoro Brown 80MW Hydropower Plant (no State Guarantee)	?	
v) Hela Gas Solution		
14) High impact projects		
i) International gateway submarine cable from Sydney to Port Moresby: World Bank and Australian Government financing in place	✓	
ii) Pacific Marine Industrial Zone	?	No clear indication that substantial progress has been made. Of course, a deal was signed much earlier with the China EXIM Bank. Some troubling recent allegations have been raised by the new Minister.
iii) Sepik Plains Agriculture Project	?	No clear indication that substantial progress has been made.
15) Commence implementation of Highlands Highway Upgrade Project co-funded by Asian Development Bank and Australian Government, early 2018	✓	Excellent that this is underway but this is also a business as usual announcement where planning was well underway prior to the new Treasurer.
16) Gerehu Stage 3B Land & Home Affordability Package Launch		
i) First 300 titles (of 1,762 allotments) released to BSP Bank for mortgage loans	✓	
17) Major hospitals development program		
i) Enga Provincial Hospital construction commencement	?	Certainly has not commenced
ii) Mt. Hagen Provincial Hospital Redevelopment PPP (Government approval & FID Mid 2018)		
IMPROVING OUR GOVERNANCE RECORD	✗	Pattern of telling porkies around the 2018 Budget raise serious concerns that there has been an improvement in governance. Indeed, the K14 billion tied procurement broken promise highlights governance failure.
18) Procurement		
i) Eliminate tied financing in favour of financing open competitive bid procurement processes	✗	Almost immediately undermined with tied financing deal of \$US5 billion with China EXIM Bank.
ii) Review and bring forward the National Procurement Authority Bill to Parliament	✗	Progress underway but the Bill was not brought to Parliament in the 100 Days. Cleaning up PNG's poor procurement practices is vital for getting better value for money from the budget.
19) Audited accounts for SOEs and Statutory Authorities for the last financial year to be produced and tabled in Parliament by June 2018	?	Good the Treasurer will make some available sooner, but the caveat that they will have to be cleared by Cabinet is of concern and opens the door to delays.
20) Ensure all public bodies have their prescribed boards in place in accordance to law	?	Not enough detail provided
21) Freeing up resource landowner benefits	?	At best, there appears to be slow progress in these areas. Recent concerns by landowners highlight the continuing slow rate of progress.
i) PNG LNG Landowner royalties		
ii) Ok Tedi Community Mine Continuation Agreements benefits		
ACTING STRATEGICALLY	✗	The three items listed under this heading are not the strategic priorities facing PNG. There should have been a much more proactive plan for dealing with the jobs and incomes crisis facing PNG as well as the foreign exchange and budget crisis. Action is needed now to change course towards meeting Vision 2050. Re-hashed protectionist policies from last century will not work.
22) Suspend and review proposals:	✓	Suspending these acts pending further consultation appropriate. However, the Treasurer needs to set out a timetable for the completion of consultations and making decisions on what changes should be made, if any.
i) to amend the Lands Act;		
ii) to amend the IPA Act;		
iii) for the proposed Agriculture Administration Adjustment Act, the proposed Agriculture Investment Act and the proposed Biosecurity Act;		
iv) for proposed amendments to the Mining Act and the Mineral Resources Authority		
23) National Energy Authority Bill to be presented to Parliament	✗	This refers to the wrong Bill (it should be the Petroleum Authority Bill) and it has not yet been presented to Parliament.
24) Sustainable population		
i) Launch Volume 2: Implementation Schedule of the Population Policy	✗	
ii) Fully fund the program in 2018	✓	
25) 5-year Medium Term Development Plan 3 incorporating the UN Sustainable Development Goals and the Government's Alotau Accord 2, to be published by mid-2018	?	Assume this will be done but this is very much a business as usual requirement (PNG has been updating its 5 year development plans for decades).