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Alternative Government Increasingly Concerned by Budget Numbers

"The Alternative Government is increasingly concerned about the accuracy of numbers used in the budget. In his rushed and unscheduled budget speech to the Parliament on Tuesday 13 February 2018, it appears as if the Treasurer has told some fairy tales again to try and protect his political reputation. He is also going about fixing PNG's economy in the wrong ways" said the Shadow Minister for Treasury and Finance, Ian Ling-Stuckey.

"One of the key claims in the Treasurer's speech was that the debt to GDP ratio was 31.9%, lower than the forecast level of 32.1%. However, this figure simply does not reconcile nor stack up. The Bank of PNG-our central bank, indicated on 6 February that PNG's debt levels had reached K23.867 billion by 30 September 2017. This was already higher than the level forecast in Abel's 2018 budget of K23.82 billion. It reflected a fiscal deficit at that stage of the year of K894.6 million. Treasurer Abel has now revealed that deficit for 2017 had increased to K1.7 billion, so more than an extra K800 million in deficit or debt borrowed in the final quarter of 2017. Extra deficits means extra debt. So PNG's public debt level would also have increased by K800 million to over 24.6 billion. Using PNG Treasury figures for 2017 GDP of K73.86 billion, this gives a debt to GDP ratio of 33.4%, not 31.9% as the treasurer announced in his 2018 Budget. This increase is even more extraordinary when we consider the forecast debt to GDP ratio in 2017, as announced in the 2017 Budget, would be only 28.8%. The outcome is nearly 5% of GDP higher than forecast in the 2017 Budget and 1.5% higher than the revised forecast.

"Who do we trust? A rushed and unscheduled 5 page political speech by the Treasurer or PNG's central bank? If the PNG Treasury released impartial and truthful figures, we may know the answer. The rushed final budget outcome speech was only 5 pages and not 91 pages as claimed by the Treasurer and reported in the media. Again more fairy tales and not telling the truth! But at this stage, Treasurer Abel's figures are just too convenient to suit his political objectives of playing budget games, manipulating numbers and pretending things are on track. Unfortunately, and most people in PNG understand this, the budget is still very much off-track. As I outlined earlier, it appears that the Treasurer continues to manipulate numbers by simply not paying bills and fiddling with revenues" said Mr Ling-Stuckey.

"Beyond the questionable numbers, there are some important indications of government priorities in his speech. Frankly, there are positive elements but also some serious errors. I agree with his reflections on how PNG has spent too much time focused on the resource sector and not enough on those areas of the economy that provide livelihoods to most of our people, especially agriculture and fisheries. In his forward plan, however, he fails to address one of PNG's more pressing fiscal challenge. This is the problem from the resource sector, increasingly argued by many from all sides of

politics lately as perhaps, not paying its way and somehow still inequitable. Based on the Treasurer's own forecasts of resource revenues until 2022, the resource sector is paying less than 5 per cent of its sales. This is the lowest on-going level in our history. The resource sector has gone through commodity slumps before. It has also been depreciating its new investments before. Frankly, it has never before contributed such minimal tax to the economy for such a sustained period. The tax concessions negotiated on recent projects have been quite generous, it seems. On the other hand, the overall level of tax paid by everyone else has been increasing over the years. There seems to be a disproportionate level of tax paid between workers and families and the resource sector. The Alternative Government would welcome a conversation with the resource sector on these anomalies and understanding more the 'sharing of the pig'. We need new mines and projects underpinned by equitable tax arrangements.

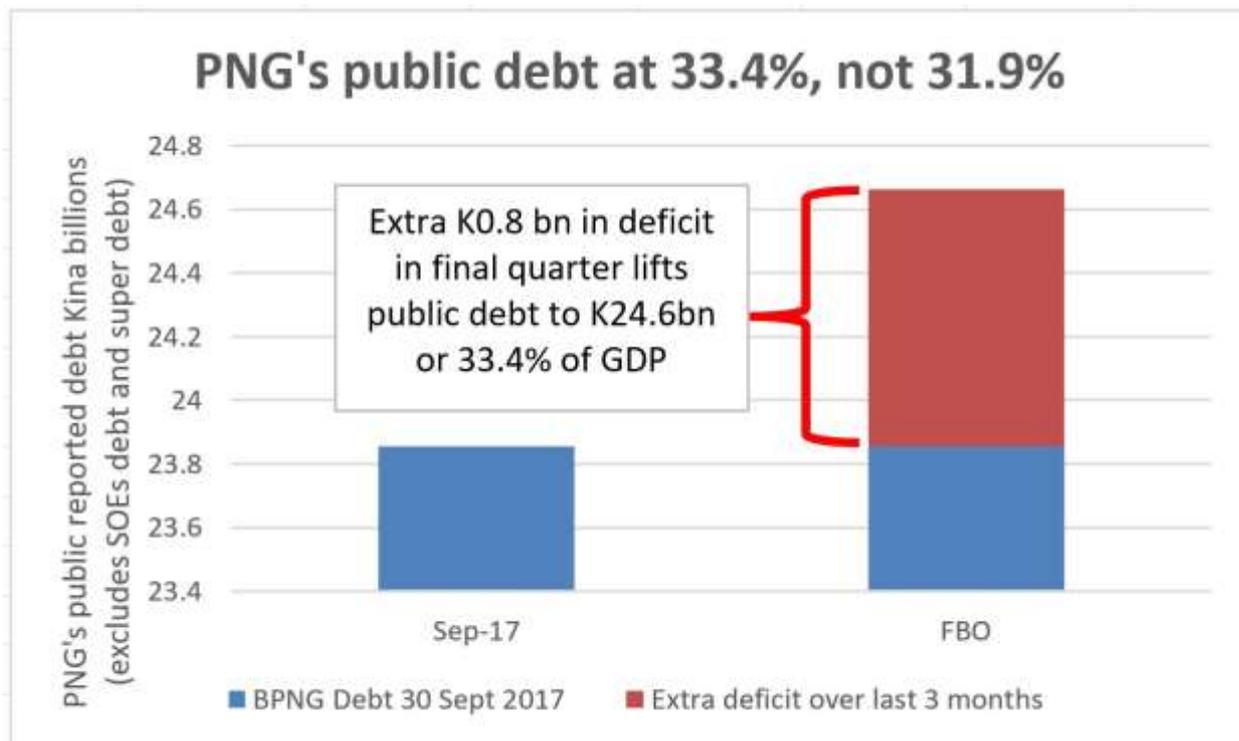
"The Treasurer also aims to assure people that there will not be a monopoly on rice. However, this should not be the only objective. He must aim for investments that do not require big investment subsidies or hurt PNG families with large price increases from tariffs or quotas. We need more investments in our agriculture, manufacturing and tourism sectors, but this should be based on ensuring we have competitive industries, not just ones subsidised by government and consumers. This should be our APEC vision for 2018 – aiming for the supermarkets of Asia, not just Port Moresby. This is how to really get incomes and growth going, and deal with PNG's foreign exchange crisis.

"A bi-partisan approach would be welcome to drive PNG's development forward, especially in this year of APEC PNG 2018" said the Shadow Treasurer.

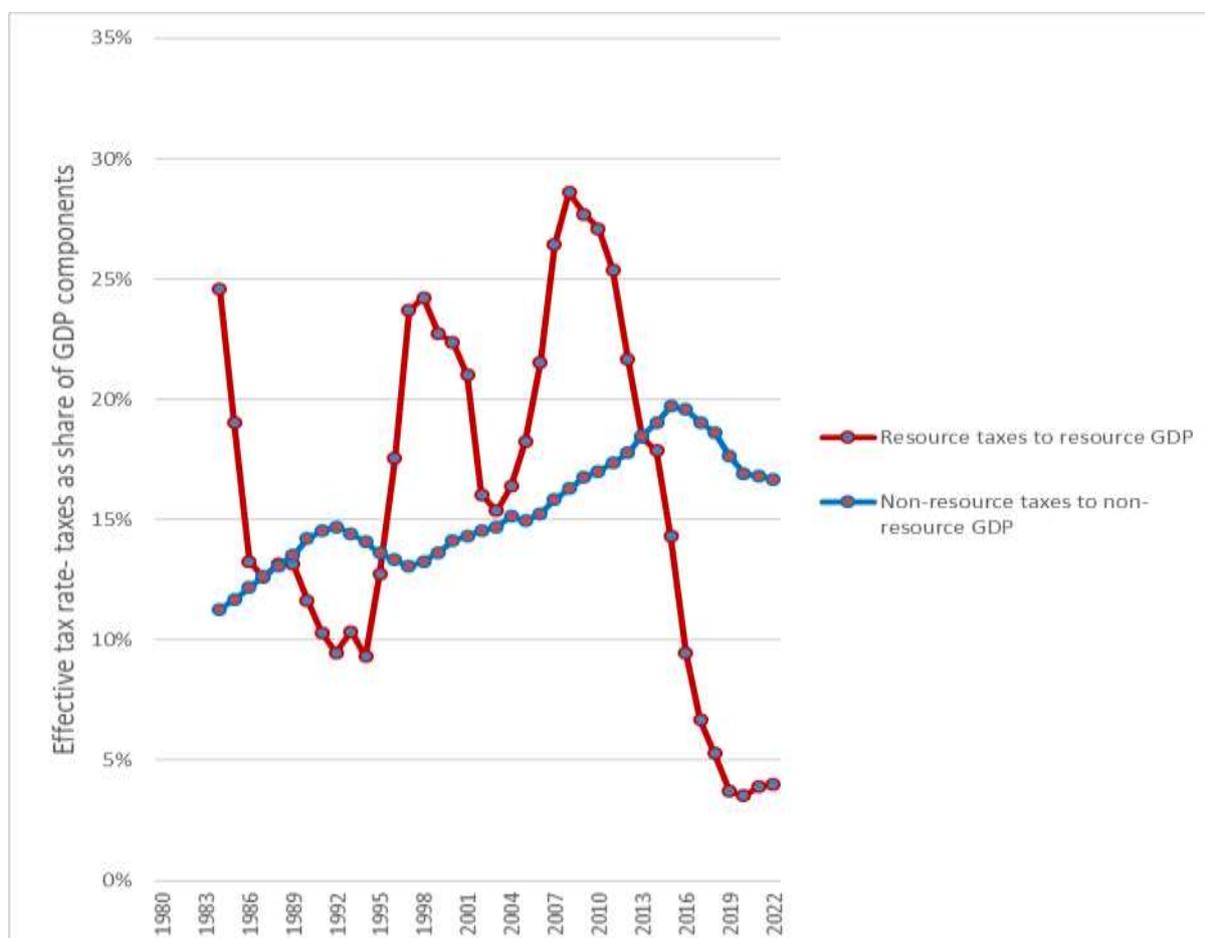
Hon. Ian Ling-Stuckey, CMG.MP
Shadow Minister for Treasury & Finance

19 February 2018

PNG's public debt ratio is higher than claimed by the Treasurer



Tax rates for the resource sector have now dropped to below 5% while PNG's workers have had their tax rates increase – 5 year moving average tax rates for the resource sector vs the non-resource sector from 1984 to 2022 projections



Extract from Page 15 of the 2017 Budget Volume 1 – initial debt to GDP forecast was 28.8% in 2017.

Table 1: Budget Balance 2015–2017 (Kina, Million)

Economic Activity	2015 Actual	2016 Budget	2016 Supp. Budget	2017 Budget
Revenue	10,776.4	12,650.1	11,722.1	11,473.1
Expenditure	13,788.8	14,762.6	13,834.6	13,349.5
Net Borrowing (-)	-3,012.4	-2,112.5	-2,112.5	-1,876.5
% of GDP	-4.9%	-3.1%	-3.1%	-2.5%
% of Debt to GDP	29.1%	29.3%	29.4%	28.8%

Source: Department of Treasury.