



SHADOW MINISTER FOR TREASURY & FINANCE

PO Parliament House

Waigani.NCD

m: +675 71111777

e: chairman@kdda.gov.pg

Alternative Government Welcomes Preliminary 2017 FBO with Some Questions – Rushed the Gun and Not Honest Enough

“The Alternative Government welcomes the increased budget transparency efforts from the Treasury, Charles Abel. This includes the unexpected preliminary release of what actually happened in 2017 as well as paid advertisements for community input to the 2019 Budget Strategy. In Parliament on 13 February 2018, the Treasurer gave a speech on the 2017 Final Budget Outcome. But it was more a political speech about the preliminary 2017 Final Budget Outcome (FBO) while the detailed information was not released on the PNG Treasury website. The Alternative Government fully supports releasing more timely data to the PNG people and more reports to our democratically elected Parliament are welcome, but there are some serious questions about whether we can trust the recent figures from the Treasurer. My fear is that he has rushed the Final Budget Outcome year figures simply to disguise some more worrying underlying trends. We need even more honesty from this government” said the Shadow Minister for Treasury and Finance, Ian Ling-Stuckey.

“This release of preliminary 2017 Final Budget Outcome information in the speech by the Treasurer today was totally unexpected, evidenced by his request to seek leave of the parliament to table his report-meaning it was not a scheduled speech on the parliamentary notice paper. This important information has usually been released on 31 March – so it has come out some 6 weeks earlier than expected. Whats the hidden agenda? The information is also usually released by the PNG Treasury with detailed information on outcomes and much more detailed information on revenue and expenditure – so we had a 96 page detailed document in 2016 but only 5 page Treasurer's speech in 2017! 91 pages missing and deliberately omitted by the treasurer! My worry for good public policy is that this information release has been rushed and may be serving political reasons rather than truth.

“Let me be clear. Releasing information on budgetary outcomes to the public as soon as it is available is welcome. If the new accounting systems allow more of this to happen, this is welcome. But there is a sense that this announcement has been rushed, and more independent Department of Treasury information has been sidelined and suppressed. Drawing on my experience in the business sector, it sometimes takes time to figure out the details of how things have turned out in the previous financial year before we can declare dividends. By the time we really look at all of our sales, our costs, the general view is that it takes 3 months to get an accurate picture of our bottom line” said Mr Ling-Stuckey, whose family has operated businesses in PNG for over 80 years.

“There are accounting rules that must be followed. If invoices for expenses are received before the close of financial year, then these should be acknowledged. So if there is a bill for some roadbuilding or other capital works received in 2017, then these should be paid in 2017.

“However, there is a total lack of information in the recent Treasurer’s Statement on the level of outstanding expenditure arrears. The Treasurer promised to start addressing payment arrears to PNG businesses and others but the genuine fear is that he has simply manipulated the numbers so that the budget deficit appears to be less than 2.5% of GDP. Not on my watch Treasurer! Said Mr Ling-Stuckey.

“On questions, let me be more specific. These are budgetary games-crafty manipulation. One can reduce expenditure in any financial year by simply not paying bills – so payment arrears. The question to the PNG Treasurer Charles Abel is how many bills for expenditure incurred in 2017 have simply been not paid or deferred into 2018? Be Honest! In particular, the Treasurer admitted and confirmed the continuing uncontrolled expenses on the governments wages bill which he cannot control in the budgetary figures. However, the expenditure savings are all on the public investments in infrastructure – so Highlands Highway beware! Recent BPNG information indicates payment arrears for 2016 have totalled some K1 billion and are now drawing down on foreign exchange reserves. Please explain!

“On revenue, there are budgetary games again and more manipulation. First, one of PNG’s major budgetary games is to delay GST revenue refunds. This is the reimbursement by IRC to legitimate GST tax exemptions. Simply delaying these refunds increases GST tax collections, and this could have been the major contributor to increased tax revenues mentioned by the Treasurer. More transparency please! On revenues, looking forward, the government must work towards much better fiscal outcomes for its people. The decline of resource revenues as a share of the resource economy to less than 10 per cent is an insult to the hard-working people of PNG.

“Second, there are also announced dividends. The big issue here is how the early National Fisheries Authority figures of K550m in dividends are treated. Frankly the government needs to be clearer on the new fiscal arrangements for the fisheries sector since the Nauru Agreement.

“Looking forward, there are many messages in this very unexpected preliminary FBO release. The Alternative Government supports the early release of information and increased transparency on the budget. However, not enough information has been released to really see if the government is transparent about budget and financial repair.

“Unfortunately, the fear is that the most recent budget announcement is about manipulating foreign investors to support increased financing for external financing. The view of the Alternative Government is that a more transparent path would be a better outcome for the people of PNG.

“Treasurer Abel also sets a forward path and the opposition commends him on this but there are some serious errors. My concern is he fails to fully understand how PNG has failed to invest enough in the non-resource elements of the economy such as agriculture which is the backbone for over 80% of PNG economy. In his forward plan, he fails to address PNG’s most pressing fiscal challenge that there appears to be scope for the resource sector to pay more of its way. The Alternative Government would do a better and fairer job in ensuring a more equitable return from the resource sector (see graphs below – frankly, rich resources companies paying less than 5% tax is an insult to the working people of PNG)

“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

13 February 2018