



SHADOW MINISTER FOR TREASURY & FINANCE

PO Parliament House

Waigani.NCD

m: +675 71111777

e: chairman@kdda.gov.pg

Mismanaging PNG's cash – Not caring enough about the Earthquake emergency

“People know that PNG is facing major cash flow difficulties. Almost every day we hear stories of public servants not being paid, government departments being locked out due to non-payment of rent, and delays in meeting payments for schools, health centres and private contractors. Indeed, at the start of this month, there was a leaked memo from the Bank of PNG highlighting the cash problems facing this country. But the extraordinary story has come out over the weekend that K570 million in cash financing has been offered by the private sector in the last two weeks which the government has refused to take up – K300m in the Treasury Bill auction on 7 March and a further K270m on 14 March. This was exactly at the same time as PNG's emergency relief agencies were desperately seeking cash to help victims of our devastating earthquake. Such outcomes demonstrate once again the government's incompetence and heartlessness in managing cash flows” said the Shadow Treasurer, Ian Ling-Stuckey.

“The large gap between the government's high levels of expenditure and low levels of revenue has to be financed somehow. The major form of financing is going through the weekly Treasury Bill auction process managed by BPNG. This seeks to raise money from PNG's banks and superannuation funds to finance the deficit. Each week, a public debt committee determines how much money needs to be raised. This is called the offer amount. Usually, the private sector is not willing to provide all this funding (called an undersubscription), and the government has to turn to BPNG to effectively print money under the so-called 'slack arrangement'. This is bad monetary policy and reflects a lack of discipline on government excesses.

“However, when the private sector is willing to provide funds, then it makes sense to draw on this available cash to clear debts. Of course,

this must be for payments consistent with the budget approved by Parliament, which last Wednesday, was closed for the day due to a lack of water! We know that there are hundreds of millions, and possibly over a billion Kina in outstanding debts. The government needs to cut expenditure, but it also needs to pay valid bills and meet emergency needs. The government was offered K570m more from the private sector than the government accepted over the last two weeks. Why on earth would a government do this to its cash-strapped people? Why would it not respond and provide actual Kina to help supply our earthquake victims with foods, water and shelter? I am not in any way politicising this horrible disaster but merely trying to seek practical and speedy options which the government actually has control of ” asked Mr Ling-Stuckey.

“My business experience teaches me that managing cash flow is a vital part of managing a successful business. One has to plan but one also has to be flexible. If you have a large number of suppliers with outstanding bills, and you have a viable means of financing, you should pay the bills. Saying no to the K570m extra available over the last two weeks, especially in the context of the increased funding needs for meeting the needs of our earthquake victims, is both incompetent and seems heartless.

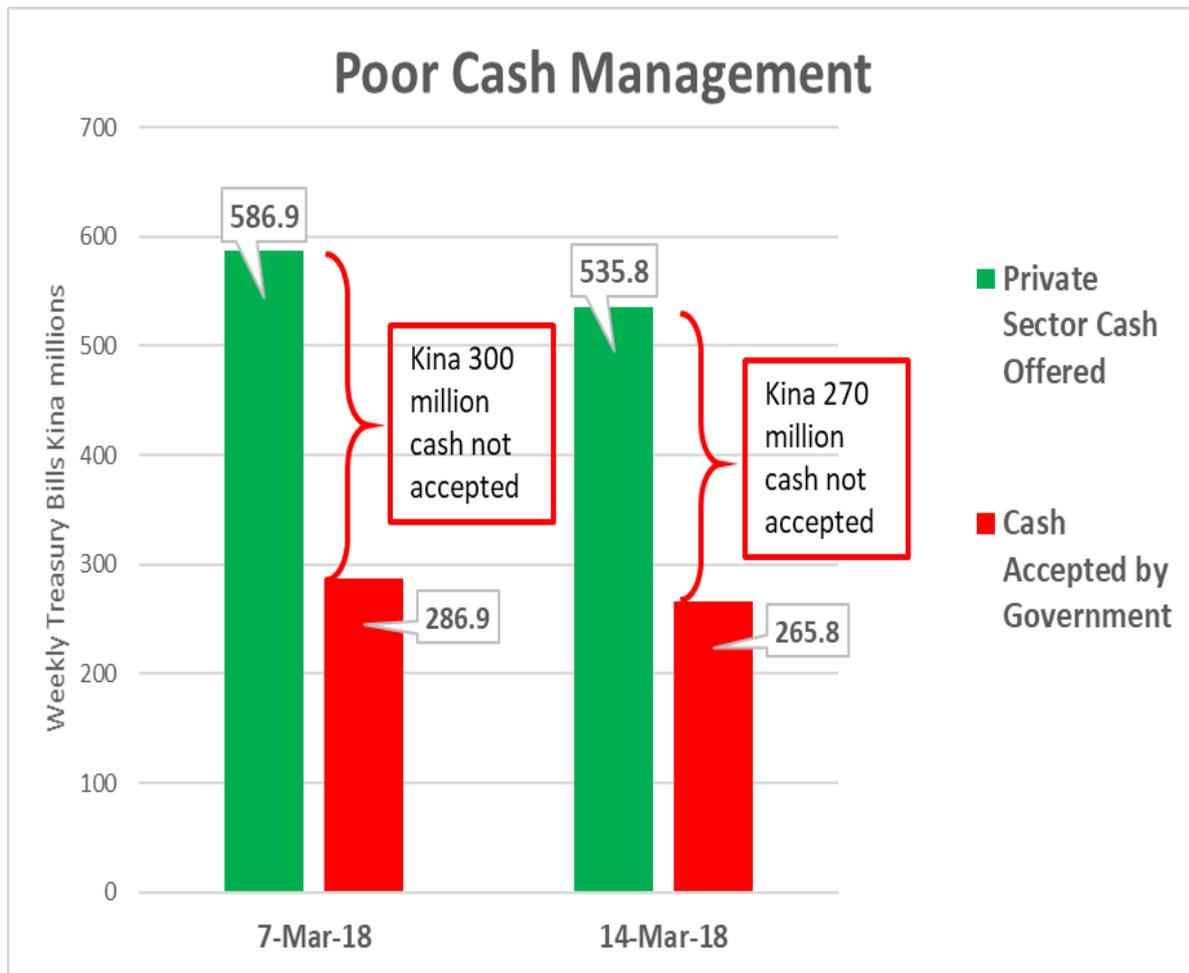
“What is even more extraordinary is that even with these offers from the private sector to help with financing this government’s generally bloated budget, the government didn’t even accept as much as it actually asked. On 7 March, it asked for K357m, the private sector was willing to fund K587m, but then it decided to only accept K287m. This was K300m less than was available, and K70m less than asked for. On 14 March it asked for K299m, the private sector was willing to fund K536m, but then decided to only accept K266m. This was K270m less than was available, and K33m less than asked for.

I understand the need to keep interest rates down, and to be careful with future bunching of rolling over Treasury Bills, but not enough weight is being given by this government to the needs of its people to fund the budget and meet the extraordinary earthquake emergency. PNG’s Treasurer needs to explain to the people of PNG why he can’t manage the cashflow better” said Mr Ling-Stuckey.

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

19 March 2018

Government not taking up cash offerings from the Private Sector – K570 million not taken up over the last two weeks (latest auction for 14 March available at <https://www.bankpng.gov.pg/financial-markets/domestic-money-and-bond-market-operations-and-development/treasury-bills/bills-weekly-auction-results/>)



(for details of the analysis, see the www.pngeconomics.org website)



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Treasury Bills Auction Results

WEEK ENDING	16th March,2018
AUCTION NUMBER	TB18/03/3-16
AUCTION DATE	14th March 2018
AMOUNT OFFERED ON AUCTION	K355,000 *MILLION*

Terms	28	63	91	182	273	364	TOTAL
Weighted Average Yields of successful bids (%)	0.00	0.00	0.00	4.72	6.76	8.04	
Amount on offer Kina Million	0,000	0,000	0,000	20,000	120,000	158,780	298,780
Bids Received Kina Million	0,000	0,000	0,000	22,500	205,130	308,190	535,820
Successful Bids Kina Million	0,000	0,000	0,000	2,500	105,130	158,190	265,820
Overall Auction OVER-SUBSCRIBED by	K0,000	K0,000	K0,000	K2,500	K85,130	K149,410	K237,040



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Treasury Bills Auction Results

WEEK ENDING	9th March,2018
AUCTION NUMBER	TB18/03/2-9
AUCTION DATE	7th March 2018
AMOUNT OFFERED ON AUCTION	K357,310 *MILLION*

Terms	28	63	91	182	273	364	TOTAL
Weighted Average Yields of successful bids (%)	0,00	0,00	2,42	4,72	6,76	8,04	
Amount on offer Kina Million	0,000	0,000	43,000	64,000	100,000	150,310	357,310
Bids Received Kina Million	0,000	0,000	10,000	101,000	176,060	299,850	586,910
Successful Bids Kina Million	0,000	0,000	10,000	51,000	76,060	149,850	286,910
Overall Auction OVER-SUBSCRIBED by	K0,000	K0,000	K33,000	K37,000	K76,000	K149,540	K229,600