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Post-APEC: Getting Government Working Again for PNG

“In my response to the 2019 Budget in Parliament today, I set out a frank, factual assessment of the failings of Treasurer Abel’s budget. As I looked into the detail of the 2019 Budget, it became clearer it was fake, it was misleading, it was incompetent. My greatest sadness, however, was missing the opportunities of APEC to getting the government to start working again for the interests of the PNG people rather than their besties. So I decided the theme of my response was “Post-APEC: Getting Government Working Again for PNG”. History will remember the 2019 Budget as an irresponsible spend-thrift budget with a failing vision for this country” stated the Shadow Minister for Treasury & Finance Ian Ling-Stuckey.

“The Alternative Government continued with its mantra of **expose, oppose and propose**. Rather than just being critical, and there was much to be critical of, we set out proposals for making PNG better. These proposals were broken into three categories:

- First, better budgeting and better management.
- Second, growing incomes and jobs.
- Third, lowering the cost of living.

Specific points and facts were provided under each of these headings. Even within the short time available, one I kept deliberately shorter than the Treasurer’s budget speech, I outlined in a detailed way how the budget was filled with fake facts, fake assumptions, failing policies and poor priorities. There was much sweet talking in Treasurer Abel’s budget, and lots of promises about a great cake, but they really are failing chefs. For those without the time to read the full speech, I have attached a summary of these points as an annex” stated the Shadow Treasurer.

“One striking feature of the PNC-led government’s 2019 Budget is the way it does not support the PNC-led government’s 2018-2022 Medium-

Term Development Plan. I've previously said that I think the Treasurer needs to go back and do some basic schooling – for any good Treasurer would know that your annual budget and your medium-term plans must work together. The PNC-led government is totally failing to do so. Additionally, the longer-term plan, indeed the whole Alotau II Accord rhetoric, forgets the founding principles for this nation. The 2019 Budget demonstrates the O'Neill/Abel government, despite some sweet promises, has really lost its way.

“Within the 2019 Budget, there is a dramatic underfunding of our health system which will not deliver more medicines and health workers. Funding is not provided to adequately pay existing teachers – and certainly not enough to get more teachers into schools to lift the quality of education for our children. There is an extra-ordinary grab for over K1 billion in resources, taking it out of decision-making at the local level and putting it under the control of Waigani. There is no funding for local level elections, the Bougainville Referendum or getting ready for what must be a better 2022 election after the failures of 2017. The budget is fiscally irresponsible as it uses fake measures of the economy to hide that it is breaking the law through having a debt ratio above 35% and a budget balance that will not be balanced on average. Interest costs stay out of control due to expensive foreign borrowing. There are massive subsidies for government besties through commercial equity funds and special credit lines, but a total failure to use the opportunities of APEC to unleash the business potential of our hard-working people. There is failure of practical planning to improve nutrition and build on our agriculture sectors. There are too many new taxes and not enough reductions in other ones to lower the cost of living facing families. This is a failed budget and a missed opportunity.

“The Alternative Government asked members of the Parliament to oppose the illegal and incompetent budget by not passing the appropriation bills. I am disappointed that we did not end up with the opportunity to block the budget, despite the great concerns expressed by many including Provincial Governors. Passing this fake 2019 Budget means that PNG is continuing down a path which is good for Waigani and its besties, but is a great threat to the livelihoods and costs of living facing the vast majority of our people” stated Mr Ling-Stuckey.

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

20 November 2018

Details

2019 Budget Response by the Alternative Government

Theme: Post APEC, Getting the Government Working Again for PNG

1. Better Budget and Better Management

- Latest 2018-2022 Medium Term Development Plan is a failure with fake promises
 - Fake increase in health workers from 10,000 in 2018 to 37,500 in 2022
 - Fake increase in teachers of over 40,000
- Health funding cut despite promises to increase doctors from 450 to over 5,000 by 2022
- Education funding a very small increase that won't fund needs of an extra 100,000 new students each year
- Teacher salary funding cut by K250 million which isn't enough for existing teachers yet alone new ones
- Minister's budget with moving K1 billion in funding from Provinces to be under a Waigani Department
 - New rigid guidelines for education, health, and infrastructure that takes away local power
- Other key sectors don't get enough money such as not enough for Electoral Commission for free and fair LLG elections in 2019, for the Bougainville Referendum or improving the electoral roll for 2022
- Claims fiscal discipline but then spends over K1 billion resource windfall in late 2018
 - Goes back onto a boom/bust resource cycle when Treasurer promised he would save any resource windfalls
 - Impossible now to meet the Treasurer's benchmarks for fiscal discipline – breaking the Fiscal Responsibility Act
- Public Debt has increased from K8 billion to K28 billion
 - Even worse, interest costs have increased from K0.4 billion in 2011 to K2.0 billion now
 - Treasurer promised he would stop public debt interest cost over-runs, but he now wants another K72 million in the Supplementary Budget
- Broken promise of releasing State Owned Enterprises Audited accounts by 30 June
 - Need audit of all fake 2019 Budget numbers, SOEs and new MTDP III.
- Budget dramatically over-states the size of the economy and it's getting worse
 - For 2015, the National Statistics Office, World Bank and IMF say economy is K57 billion, not K62 billion in 2015 – a K5 billion overstatement.
 - By 2022, World Bank and IMF say economy will be K86 billion and the Treasurer says K114 billion in 2022 – a K28 billion over-statement which keeps getting worse

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
World Bank/IMF/ NSO estimates to 2015 (Kina Billions)	48	57	57	59	64	68	72	76	81	86	
Treasurer's higher estimates from 2015 (Kina Billions)	48	57	62	68	76	82	89	95	103	114	125
GDP Over-statement (excess cake) (Kina Billions)	0	0	5	9	12	14	17	20	23	28	

- Excess GDP figures means debt to GDP is actually over 35% and breaking the Fiscal Responsibility Act
- Excess GDP means excess tax revenue also estimated
 - This will add to budget deficits, even higher public debt, and even higher interest costs.
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2. Higher incomes and More jobs

- Income levels in PNG have fallen on average by over a third since Independence
 - Good progress under National Alliance in 2000s now being reversed
- Formal employment levels are going backwards despite our population increasing
- Alternative Government about doing the hard and practical yards to get growth going again to help create more jobs throughout the economy
- MTDP III provides K1 billion for ineffective commercial equity funds and another K1 billion for credit lines which we know get taken over by Government besties
 - Need to work on other public private sector models that work better in PNG
- Need support for practical district development plans focusing on agriculture and nutrition
 - But key activities receive less than one-third of economic sector funding
- Need to be innovative such as sensibly gearing up labour mobility schemes
 - Tonga sends 8,000 of its workers to Australia and New Zealand but PNG, with a much bigger population, sends only 230.
 - Potential gains are massive – K22,000 per person every six months
 - Could fix foreign exchange problem with K1.45 billion in revenues

3. Lowering the Cost of Living

- PNG much more expensive to live in than many developed countries
- Need to reduce the cost of living
- Practical way is not to introduce over 900 tariff increases on PNG families
 - Increase in tariff on chicken from K1.80 to K3.50 a kilogram
 - New 25% tariff on UHT milk
 - Smoked fish tariff up from 15% to 25%
- Government failing to get the balance right between supporting local industry and cost of living on families
- Tax cuts welcome but Bogan tax review recommended bottom threshold would be K20,000 by 2018, not still down at K12,500.

Appropriation Bills

- Fail to appropriate K10.3 billion for debt repayments – this is Constitutionally required and a standard element of previous budgets – careless or just another example of incompetence?
- Illegal as imply Parliament would be voting really to break the Fiscal Responsibility Act.