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Alternative Government demands the recall of parliament!

“The 2019 Budget’s Appropriation Bills passed by Parliament on 20 November had a very major problem. The Appropriations did not include K10.3 billion required to repay PNG’s debts. Unless this failure is fixed urgently, the government does not have the legal authority, as provided for under the Constitution, to make loan repayments. From 1 January 2019, PNG would immediately start breaching our loan agreements with our external partners such as the Asian Development Bank the World Bank and Credit Suisse. It also means that there is no legal authority to pay back Treasury Bonds and Treasury Inscribed Stock. As the major holders of this debt our banks and superannuation funds, this could put a major stress on our entire banking and superannuation system. This extraordinary and incompetent oversight by the Treasurer must be rectified for the safety of our economy and to honour our loan commitments and reputation” stated the Shadow Minister for Treasury & Finance Ian Ling-Stuckey.

“In my budget response – available to all on the Opposition website -I highlighted this extraordinary oversight. I stated ‘And, the Treasury is actually incompetent, because they forget to appropriate an extraordinary K10,351.8 million required for Debt Services amortization. This is a constitutional requirement, that funds paid out of our accounts are approved by Parliament – it is a standard part of the Appropriation (General Public Services Expenditure) Bills. How can anyone in this Parliament vote to pass illegal appropriation bills, and ones that forget to pass nearly 40% of all required expenditure?’

“But the PNC-led government did not listen. Despite the Alternative Government voting against the Budget, knowing that this omission and other illegal acts in the 2019 Budget needed to be corrected, the O’Neill/Abel government rushed the Appropriation Bills through. Now I know that 20 November was a very stressful day for everyone working

to continue government despite the very unfortunate events at Parliament but Treasurer Abel is not a good listener at even the best of times. So now we have a massive mess. Actually, looking at the mess, it is even worse than I thought. Looking at the budget, I understood there was a need for K10.3 billion extra. However, looking at the detail again (remember, there are over 3,000 pages in the budget so it takes some time to get through it!) there is an actual shortfall in the budget appropriations of K11.1 billion (specifically K11,116,302,969 in debt service costs). So digging deeper, the problem is even worse! As I indicated in my budget response, I consider the 2019 budget is reckless and undisciplined. The K1 billion revenue bonus from higher oil prices should have been used to repay debt in line with the recommendations of the Governor of BPNG, and consistent with our agreements with international partners. So although I disagree with the massive and unnecessary increases in the levels of public debt because of the 2019 Budget, I also believe a responsible Shadow Treasurer should agree that debts incurred should be repaid."

"We need to fix this mess. The Alternative Government is willing to support the usual inclusion in budget bills that meets our required debt principal repayments. Funds have been provided for debt interest costs, but funds have not been provided for principal repayments – also known technically as 'amortisation'. Imagine how much trouble you'd get into with your bank if you said "Sorry, can't repay all the mortgage this year because I forgot to do some paperwork".

"This careless omission must be corrected. The Alternative Government demands the urgent recall of Parliament. If the Government does not act to correct this extraordinary oversight, the Alternative Government will consider pursuing legal avenues to protect PNG's reputation as a country that repays its debts and ensure that no risks are imposed on our financial system" stated Mr Ling-Stuckey.

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

21 November 2018

Details

This is a copy of the Explanatory Notes on the 2018 Appropriation Bills that clearly indicates loan repayments (on top of debt interest repayments) required K10,315,046,900 to be appropriated for 2018. This type of explanation, along with the need to appropriate debt services costs, is the usual treatment given the constitutional requirement for Parliament to approve an annual appropriation bill covering all payments from its accounts.

EXPLANATORY NOTES FOR MEMBERS OF THE NATIONAL PARLIAMENT

APPROPRIATION (GENERAL PUBLIC SERVICES EXPENDITURE 2018) BILL 2017

The purpose of the *Appropriation (General Public Services Expenditure 2018) Bill 2017* is to appropriate a sum of K24,198,929,647.00 for expenditure for the year ending 31 December 2018 as required under Section 209(2)(c) of the Constitution as amended.

The purpose of the *Appropriation (General Public Services Expenditure 2018) Bill 2017* is to appropriate a sum of K 13,883,882,747.00 for expenditure and a further sum of K 10,315,046,900.00 for amortisation for a total of K24,198,929,647.00 for the year ending 31 December 2018 as required under Section 209(2)(c) of the Constitution as amended.

This Bill will establish total appropriations in 2018 of K24, 198,929,647.00, of which:

Operational expenditure is K9, 334,962,747.00 comprising,

(a) Personnel Emoluments	K 3,991,038,098.00,
(b) Goods & Services	K 2,974,979,601.00,
(c) Functional Grants	K 504,283,320.00,
(d) Debt Interest Payment	K 1,864,661,728.00,

Capital Investment is K4, 548,920,000.00 for capital investment projects comprising,

(a) Direct Government financing	K1,756,020,000.00,
(b) Structural Improvement Program	K1,174,400,000.00,
(c) Estimated concessional loans	K 593,900,000.00,
(d) Estimated donor grants	K1, 024,600,000.00.

Debt Services is K10, 315,046,900 is for amortisation comprising:

(a) Amortization	K10,315,046,900
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The debt interest costs and debt services costs are combined in the actual appropriations bill in 2018. So over K12 billion.



A BILL

for

AN ACT

entitled

Appropriation (General Public Services Expenditure 2018) Bill 2017.

Being an Act to appropriate out of the Consolidated Revenue Fund a sum for the General Public Service for operational and capital expenditure for the year ending 31 December 2018.

MADE by the National Parliament.

1. GRANT OF K24,198,929,647.00

Subject to authorisation from the Treasurer, the Secretary for Treasury may issue out of the Consolidated Revenue Fund and apply for the activities of the General Public Service for the year ending 31 December 2018 the sum of K24, 198,929,647.00, consisting of -

(a)	Operational Expenditure	K19,650,009,647.00.
	(i) Personnel Emoluments	K3,991,038,098.00.
	(ii) Goods & Services	K2,974,979,601.00.
	(iii) Functional Grants	K504,283,320.00.
	(iv) Debt Services	K12,179,708,628.00.
(b)	Capital Expenditure	K4,548,920,000.00.
	(i) Direct Government financing of	K1,756,020,000.00.
	(ii) Structural Improvement Program	K1,174,400,000.00.
	(iii) Concessional loans of	K 593,900,000.00.
	(iv) Donor grants of	K1, 024,600,000.00.

The 2019 Budget also had explanatory notes that indicated the need to appropriate amortization payments

EXPLANATORY NOTES FOR MEMBERS OF THE NATIONAL PARLIAMENT

APPROPRIATION (GENERAL PUBLIC SERVICES EXPENDITURE 2019) BILL 2018

The purpose of the *Appropriation (General Public Services Expenditure 2019) Bill 2018* is to appropriate a sum of K 15,730,379,845.00 for expenditure for the year ending 31 December 2019 as required under Section 209(2)(c) of the Constitution as amended. Approval is also sought for a further sum of K 11,116,302,969.00 being for principal due within 2019 as part of debt management operations.

This Bill will establish total appropriations in 2019 of K 15,730,379,845.00 for the purpose of government payments of which:

Operational expenditure is K10, 333,278,845.00 comprising,

(a) Personnel Emoluments	K 4,351,432,354.00,
(b) Goods & Services	K 2,898,928,329.00,
(c) Functional Grants	K 490,263,162.00,
(d) Debt Interest Payment	K 1,979,055,000.00,
(e) GST & BMT	K 613,600,000.00.

Capital Investment is K5, 397,098,000.00 for capital investment projects comprising:

(a) Direct Government financing	K2,462,678,000,
(b) Structural Improvement Program	K1,174,420,000,
(c) Estimated concessional loans	K 816,900,000,
(d) Estimated donor grants	K 943,100,000.

The bill also establishes total appropriation for servicing the principal payable brought forward for 2019 as:

Debt Services is K11, 116, 302, 969.00 is for:

(a) Debt Repayments	K11, 116, 302, 969.00
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Further information is provided in the explanatory notes:

For example, the section would prevent drawdown of a loan entered in the Budget year as this loan would not be identified in the relevant budget book.

Section Nine- Debt Services captured in the Operational budget consists of Debt Interest Payments.

Debt Interest Payments (K1, 979,055,000) is the charge you pay for the privilege of borrowing money i.e. It is the cost to borrowing. It represents charges payable on any borrowings of Treasury Bills, Treasury Bonds and external loans.

Amortization of K11, 116,302,969 reflects the total amount of Principal payable for 2019. It includes intra year dealing in treasury bills as well as principal payments due on inscribed stock and external debt

However, now the very real legal issues begin. So comparing the 2019 appropriation bill to the 2018 Bill, there is a change in the description of 1 (a) (iv) appropriation from "Debt Services" to "Debt Interest Payment". However, the main issue is the massive decrease in the funds provided for debt services –down from K12.1 billion in 2018 down to K1.978 billion in 2019. But even the 2019 Budget indicates both debt levels and interest costs are going up, so this can only indicate that current government has failed to include important loan repayment costs in the 2019 budget.



A BILL

for

AN ACT

entitled

Appropriation (General Public Services Expenditure 2019) Bill 2018,

Being an Act to appropriate out of the Consolidated Revenue Fund a sum for the General Public Service for operational and capital expenditure for the year ending 31 December 2019,

MADE by the National Parliament.

1. GRANT OF K15,730,379,845.00.

Subject to authorisation from the Treasurer, the Secretary for Treasury may issue out of the Consolidated Revenue Fund and apply for the activities of the General Public Service for the year ending 31 December 2019 the sum of K15,730,379,845.00 consisting of:

(a) Operational Expenditure	K10,333,278,845.00
(i) Personnel Emoluments	K 4,351,432,354.00
(ii) Goods and Services	K 2,898,928,329.00
(iii) Functional Grants	K 490,263,162.00
(iv) Debt Interest Payment	K 1,979,055,000.00
(v) GST and BMT	K 613,600,000.00
(b) Capital Expenditure	K 5,397,098,000.00
(i) Direct Government financing of	K 2,462,678,000.00
(ii) Structural Improvement Program	K 1,174,420,000.00
(iii) Concessional loans of	K 816,900,000.00
(iv) Donor grants of	K 943,100,000.00

1. APPROPRIATION.

Sums granted by this Act out of the Consolidated Revenue Fund for the year ending 31 December 2019 are appropriated for the activities of the agencies listed in the Schedule of this Act in the year ending 31 December 2019.

So where is the appropriation for the amortization costs of K11,116,302,969?

It is not on the documents provided on the Treasury website. It is not on the documents provided at the 2019 Budget lock-up.

Possibly there was a plan to introduce an extra appropriation bill to cover debt service costs? But listening to the list of bills that were being considered on various media covering the budget sittings, there was not such bill and Parliament did not vote on such a Bill. So the 2019 Budget process has not yet approved K11,116,302,969 in debt service costs. This is a major issue that requires Parliament to be recalled to fix this incompetent oversight.