



SHADOW MINISTER FOR TREASURY & FINANCE

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K11.1 billion missing from authorised 2019 expenditure

“Treasurer Abel once again has demonstrated the PNC government is filled with good intents language, but it doesn’t know how to deliver. The Treasurer on Tuesday stated he wanted to appropriate the required K11.1 billion for meeting PNG’s debt service obligations in 2019. But it is only the actual Appropriation Bills which provide the legal basis, under Section 209 of PNG’s Constitution, for meeting our debt obligations. So where in the actual Appropriation Bills have you actually delivered on this good intent? Please, just show us this simple piece of evidence – the extract from the Appropriation Bills. Without this simple piece of evidence that there is a legal basis to pay our debt bills in 2019, Parliament needs to be recalled urgently so that we can meet our legal obligations, protect our international reputation, and minimise risks to our financial system” stated the Shadow Minister for Treasury & Finance Ian Ling-Stuckey.

“Please don’t continue with your convenient lines of the K11.1 billion (and this is billion, not million – so it is a huge amount of Kina) was mentioned in the Explanatory Notes and the Budget. The Alternative Government knows this and included the relevant extracts in my previous media release of 21 November (with the relevant pages repeated in the attachment). However, this is not the actual Appropriation Bill. Any lawyer can talk about how the Explanatory Notes can help provide clarification of what is included in legislation, and they can be considered in some cases as “supporting or extrinsic materials”. But they will also tell you that the omission of K11.1 billion in funding in the actual Appropriation Bill approved by Parliament is a fundamental error. It is not some possible “technicality” as hinted by the Treasurer in a partial admission of guilt. It is an absolute failure to deliver” stated the Shadow Treasurer.

“Section 209 of PNG’s Constitution, in the first section dealing with Parliamentary Responsibility, discusses the key role of the “raising and expenditure of finance”. Importantly, as the Treasurer’s mistake covers loans, the section continues “including the imposition of taxation and the raising of loans”. The Constitution continues “is subject to authorisation and control by Parliament”. So how is this authorisation and control exercised? It is not through Budget Volume 1 or some Explanatory Notes. The Constitution is clear: it “shall be regulated by an Act of the Parliament”. The Appropriation Bills are the required Act of Parliament. There is no alternative. If the K11.1 billion is not in the Appropriation Bill, then this K11.1 billion in loan repayments is not in the 2019 Budget approved by the Parliament. Any payments for debt service will therefore be illegal from 1 January 2019.

“Treasurer – just show us the Constitution authorisation for this K11.1 billion in loan repayments. If you do so, then the Alternative Government will apologise and we can move on. However, if you can’t show us this provision in the actual Appropriation Bills, then PNG has a major Constitutional problem which threatens our ability to repay loans, including to our superannuation industry as well as our banks, as well as foreign creditors. This is serious – it is 40% of the total required appropriation for 2019. Treasurer, for the sake of PNG’s financial reputation and the stability of our financial system, please admit your error, accept responsibility for your failure to deliver and urgently organise the recall of Parliament so the Alternative Government can help to get the job done. Be Honest with the people of PNG.”
requested Mr Ling-Stuckey.

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

28 November 2018

Details

The opening of Section 209 of the PNG Constitution is below:

Constitution of the Independent State of Papua New G 9999

s. 209.

PART VIII. – SUPERVISION AND CONTROL.

Division 1. – Public Finances.

Subdivision A. – The Parliament and Finance.

209. PARLIAMENTARY RESPONSIBILITY.

(1) Notwithstanding anything in this Constitution, the raising and expenditure of finance by the National Government, including the imposition of taxation and the raising of loans, is subject to authorization and control by the Parliament, and shall be regulated by an Act of the Parliament.

“Extracts from my media release of 21 November show I know the figure was in the Explanatory Notes, but the Constitutional requirement is that the K11.1 billion was included in the actual Act of Parliament which is the Appropriation Bills.

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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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.

Draft of 12.11.2018



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."