

**Public statement**  
**by Rt Hon Sir Mekere Morauta**  
Port Moresby, 9 May 2017

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**Sir Mekere asks PM to answer questions on public debt and cash flow crises**



Former Prime Minister Sir Mekere Morauta said today the Prime Minister must come clean on Government debt and its cash flows so Papua New Guineans can judge for themselves whether or not the nation is insolvent.

“An examination of the 2017 Budget, and publicly available evidence of a cash flow crisis over the past few months, call into question the ability of the O’Neill Government to repay its mountain of debt and pay for its daily operations at the same time,” he said.

“Mr O’Neill’s waste, corruption and mismanagement led to a disastrous 2016, and on the information available to me, 2017 is going to be a lot worse. Peter O’Neill is taking the country into bankruptcy.

“There is a stark choice facing Mr O’Neill – repay his debts or cut government operations and services even more than in 2016. Either way, he will inflict more pain on Papua New Guineans.”

Debt at the end of 2016 was at least K22 billion. This is equivalent to 35 percent of GDP, which Mr O’Neill admitted in a media statement on 2 May was in breach of the 30% limit imposed by the Fiscal Responsibility Act.

Even worse, the ratio of debt to revenue is back to the crisis levels of the previous PNC Government led by Bill Skate, who was at the end of the string pulled by PNC Chairman and chief puppeteer, Peter O’Neill.

According to the 2017 Budget, debt servicing is K1.5 billion a year - rapidly approaching 15 percent of annual revenue. It is this debt servicing requirement that is forcing Mr O’Neill into his savage spending cuts in essential services such as health, education and transport.

The risk is that debt servicing costs could also rise rapidly if the Government is unable to roll over existing debt, and if interest rates rise. And then there is the debt that Mr O’Neill is trying to hide – which could be as high as K14 billion.

Sir Mekere said the 2017 Budget documents reveal some details of that hidden debt and raise more questions about the rest.

Sir Mekere highlighted five dubious or questionable debt payments buried at the back of the budget book:

- Domestic interest payments in the 2017 Budget for NCD of K100 million. How much is the total borrowing? Who is the lender? What is the loan for? Third-rate roads and bridges built under inflated contracts?
- An appropriation this year of K37.5 million entitled “Motukea Port Loan Interest”. What are the details of the loan and why is it on the government balance sheet and not on the balance sheet of Kumul Consolidated Holdings or PNG Ports? Are State-Owned Enterprises now unable to meet their financial obligations?
- The appropriation this year of K31.7 million to meet foreign interest payments to Credit Suisse for its K1.5 billion loan. I am reliably informed that only half of the loan has been drawn down and that Credit Suisse is refusing to supply the remainder. The terms of the loan need to be explained by Mr O’Neill.
- Expenditure for 2017-2020 of K111 million for “Solwara 1 Loan Interest”. What are the details of the debt that the O’Neill Government has incurred with this undersea mining project? Is the State buying equity in the project, or otherwise supporting it?
- Expenditure in 2015 of K24 million for financial costs of the illegal UBS loan. What was this precisely for? Was it a one-off payment for “loan facilitators” or is it an annual amount that is now the responsibility of Kumul Petroleum, where Mr O’Neill has stashed the loan? What are the total annual payment obligations that Kumul Petroleum must meet for the UBS loan? Are these commitments the reason why landowners have not been paid their entitlements and why they have not received the promised vendor financing for their 4.27 percent equity in PNG LNG? What is the status of the UBS loan? Has it been rolled over again because the Government has not been able to make its payments when they fall due? What is the capitalized value of the loan now? K4.5 billion? More?

Mr O’Neill should also explain whether the Government is so desperate for cash that it is seeking to borrow more money from Kumul Petroleum and further jeopardising landowner entitlements. Can he confirm that a borrowing proposal he put to Kumul Petroleum was rejected out of hand as non-commercial, and the proposed lenders described as “loan sharks”?

“While this 2017 Budget information does demonstrate that there IS hidden debt, it does not reveal its true dimensions,” Sir Mekere said. “For example it does not include the UBS loan itself, initially for K3 billion, or the Chinese EximBank line of credit of K6 billion, and the status of these and other loans.

“People have a right to this information so they can make sensible choices when they vote on polling day.”