

Statement by Rt Hon Mekere Morauta, KCMG
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The Prime Minister of Papua New Guinea has once again singled me out for attack for expressing a view on current national issues.

My assessment and analysis of the severe economic and financial difficulties facing the nation and the adjustments that need to be taken are entirely my own. My statements were made to promote public discussion and were published at my personal expense.

Every citizen has a right to speak about national issues and challenges, and those rights should be respected by the Government.

The Prime Minister's extraordinary attacks on me as an individual should be seen as part of a broader campaign of intimidation and attempts to shut down dissent, by force if necessary.

Dissent is a sign of a healthy society. It is a sign of a robust democracy.

The right to freedom of speech and the freedom to gather together publicly to express our views are precious public commodities.

The Prime Minister claims that I am motivated by hatred and malice. Nothing could be further from the truth. I am motivated by concern for the future of Papua New Guinea, and that is all.

I believe my experience as a former Prime Minister, Treasurer, Governor of the Bank of Papua New Guinea, Managing Director of PNGBC and Secretary for Finance, and my training as an economist, give me an informed understanding of national issues and an obligation to provide constructive advice and contribution to public discussion.

The bulldozing of the 2016 Budget through the Parliament this week with virtually no debate, represents another example of the Government preventing elected political leaders from assessing, discussing and commenting on the nation's most important economic document.

The 2016 Budget does not do enough to correct the current problems. In many respects it is not dissimilar to the O'Neill Government's preceding budgets.

Expenditure is too high. The deficit is too high. Borrowings are too high. State Owned Enterprises, with 70% dividend policy, are again being raided. They have been turned into milking cows, instead of being allowed to reinvest their profits in building up capital and improving the quality, reliability and range of their services. Health and education will receive reduced allocations.

The 2016 Budget is set at K14.8 billion against revenue of K12.7 billion, leaving a net borrowing requirement of K2.1 billion.

National Government debt is projected to increase from K17.7 billion (end 2015)

to K19.7 billion (end 2016).

This translates into 35.8% of GDP, slightly higher than the legal limit of 35% set by the Fiscal Responsibility Act. The Budget shows that the legal limit will continue to be exceeded in 2017 and 2018 as well.

But these debt numbers are deceptive and misleading because they exclude all the SOE debt (for example the K3 billion UBS debt held by NPCP), unpaid superannuation, and other liabilities, which means the debt-GDP ratio is much higher than the 35.8% shown in the Budget.

The Government should properly disclose and include the debts held by SOEs to reflect the real level of debt and its implications for future expenditure commitments. Details of amounts held in trust accounts, and their use, should also be made explicit in the budget.

No mention was made in the 2016 Budget of measures to resolve the shortage of foreign exchange and prevent further declines in foreign exchange reserves.

And whilst it is good that the law to establish the Sovereign Wealth Fund has finally been passed, it is difficult to see what income will flow into it and be saved, when mining and petroleum revenues are projected to be only 130 million Kina, 83 per cent lower than the 2015 Budget forecast of 1.7 billion Kina.

The net result of the 2016 budget is that the economic and financial problems confronting the nation are likely to continue for some years. Whilst the Government has deferred bringing the budget back into balance from 2017 to 2020, I fear even this will not be achieved without sustained discipline in expenditure and a big recovery in commodity prices.

Papua New Guineans have every right to discuss and comment on issues of national importance, just as important institutions of state should be allowed to operate independently and discharge their constitutional duties freely. I urge the Prime Minister to cease his unstatesmanlike personal attacks, and promote meaningful discussion of public policy and issues.