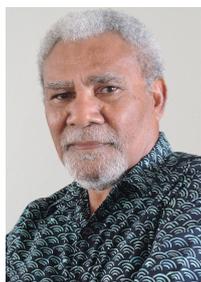


**Public statement
by Rt Hon Sir Mekere Morauta
Port Moresby, 5 June 2017**

O'Neill debts will cripple the nation



Prime Minister Peter O'Neill's boast that he will increase national debt will burden all Papua New Guineans by committing future income to high interest payments, reducing the amount available for health, education and transport.

"A primary cause of the woes Papua New Guinea is currently experiencing is Mr O'Neill's gross mismanagement of the economy and public finances, including imprudent borrowing," Sir Mekere said.

"His stated intention to increase borrowing if he is re-elected will make matters much, much worse, and will prolong by many years any attempt to rescue the nation.

"It is an example of his arrogant and uncaring attitude."

Sir Mekere pointed out that under the Fiscal Responsibility Act, the K22 billion public debt already incurred by Mr O'Neill has surpassed the legal limit by more than 5 percent above the permitted 30 percent of GDP.

His plan to increase debt even further is simply irresponsible. It should be prevented and it should be investigated by the Ombudsman Commission.

Sir Mekere said the K22 billion did not include debt that the Primer Minister is hiding, including borrowings by State-Owned Enterprises, other off-balance-sheet debt such as the illegal K4.3 billion Oil Search loan, the K6 billion Chinese Exim Bank line of credit, and contingent liabilities such as unpaid superannuation contributions.

"All up, total debt is at least K40 billion," Sir Mekere said.

"And a lot of it has been invested in wasteful, unproductive infrastructure such as self-glorifying monuments to Mr O'Neill in Port Moresby - grand hotels, convention centres, APEC Haus, destruction of Ela Beach, roads and bridges that fall apart almost as soon as they are built, stadiums ... the list is endless. Many people are talking openly about the deliberately inflated cost of all of these projects undertaken by companies with connections and wonder whether they are being used to transmit public money into private pockets.

"Under Mr O'Neill's plan, repayment of interest on debt will swamp spending on essential services. Already Mr O'Neill has cut health spending by 40 percent between 2015 and 2017 and plans a further 30 percent cut to 2021. Now he is boasting that he will borrow even more.

"What further cuts will he make to accommodate his new debt? How many thousands more people must die from lack of adequate health care before he starts thinking about the people of Papua New Guinea instead of himself and his cronies?"

According to the 2017 Budget, the servicing of disclosed debt is K1.5 billion a year - rapidly approaching 15 percent of total internal revenue. With revenue continuing to decline and GDP growth slowing dramatically to three percent a year, further pressure is being put on Papua New Guinea's capacity to repay debt. Then there is the added risk of interest rate rises.

The PNG economy's recent worsening under Mr O'Neill has been internationally recognised. The recent highly critical Moody's report on the nation's credit rating specifically warned about the national debt.

"Despite government efforts to curb expenditure, fiscal deficits remain wide and debt levels continue to climb. Government liquidity risks have risen due to an increasing reliance on short-term financing, while higher interest rates reduce debt affordability," it said.

The World Bank recently put Papua New Guinea on its Fragile Situations list, which ranks countries according to a set of 16 criteria in four clusters: economic management, structural policies, policies for social inclusion and equity, and public sector management and institutions. An overall score of six is best, and one is worst, with a cut-off of 3.2. The World Bank now scores PNG at 3.0.

In 2012 PNG was ranked 44 out of 76 Lower and Middle Income Countries. It fell to 59 out 80 in 2015. Only two other countries fell more in that period.

Deteriorating policy performance and rising debt levels mean PNG is rapidly approaching the higher risk category of the International Monetary Fund's Debt Sustainability Framework.

"International concerns about Papua New Guinea's debt levels are a formal condemnation of Mr O'Neill's economic and financial management," Sir Mekere said. "They highlight the weak policy and institutional environment that he has created, which also allow corruption to flourish.

"There is no light at the end of the tunnel under Mr O'Neill. All the indicators are worsening.

"The only way out is for a new Government with honest and competent leaders to enlist the help of the World Bank, the International Monetary Fund and our friendly neighbors and partners.

"That entails a proper multi-year reform program using concessional finance to consolidate debt, bring repayments under control and restructure the budget. Failure to do that will make matters worse and increase the suffering that Mr O'Neill has already caused."