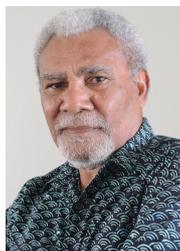


Public Statement
by Rt Hon Sir Mekere Morauta
Former Prime Minister and Member for Moresby North-West
Port Moresby, 05 November 2017

PNG on a Drip



The Member for Moresby North-West, Sir Mekere Morauta, said today that Papua New Guinea is like a patient lying on a sick-bed being drip-fed – one arm with a foreign exchange drip; the other arm with a cash flow drip.

“The patient is likely to get weaker if the drip-feeding continues,” he said. “What the patient needs are large doses of the medicine given in one hit, to allow the patient to recover, gain strength, start walking and begin gardening for the future.

“However, without appropriate action by the Government, it is possible that one or both of the medicine bags will drain completely, endangering the patient’s life.”

Former Prime Minister Morauta said that every fortnight the Government is scratching everywhere to find the K200 million needed to pay public servants’ salaries in full and on time. “I understand that the Government has been milking state-owned agencies such as Kumul Petroleum and the Gaming Board, to enable it to pay fortnightly wages,” he said.

“This is not a solution to the problem. It is just spreading the sickness wider, as raiding these agencies leaves them with less working capital and, in the case of Kumul Petroleum, less money for future investments.”

Sir Mekere said the Government also owes the private sector around K4 billion – over K2 billion to Nambawan Super in unpaid employer contributions and around K2 billion in unpaid bills to companies that have provided goods or services to the Government.

“There are hundreds of public servants, teachers, nurses and police officers who have retired but have not been paid their entitlements from the Government,” he said. “This is simply immoral.

“For the private sector, the debts owed to them by the Government are crippling their businesses. They have already spent money to provide these goods and services, badly depleting working capital which in turn affects the viability and profitability of their current operations – resulting in bankruptcies, reduction in employment and reduction in taxes payable.

“The lack of foreign exchange is also critical. I have been saying this for over a year, but the Prime Minister and the Governor of the central bank keep denying there is a problem. They have gone a bit quiet recently, now that both the International Monetary Fund and the Asian Development Bank have finally come out publicly to discuss the threat that the foreign exchange shortage is posing to the economy. The IMF has predicted that even with appropriate intervention, the foreign exchange problem will not be resolved until 2020, assuming the predicted economic growth assumptions are realised.”

Sir Mekere said people must remember that there is a demand backlog of over K2 billion to be cleared, on top of current requirements. The two together pose a very major problem. Papua New Guinea clearly has no ability to meet both.

“Why did the Prime Minister suddenly and secretly sell the nation’s shares in Oil Search – the shares he initially bought illegally, without Parliamentary approval for the loan,” Sir Mekere asked. “He had to sell those shares because the Government could not afford to pay the principal and interest on the loan on time.

“And now he is forcing Oil Search to supply Puma with half of its import requirements and be paid in kina, because Puma cannot get the foreign exchange to pay for its supply. So Oil Search is now a de facto central bank – we have the Bank of Papua New Guinea, and Oil Search. I wonder if the shareholders of Oil Search are fully aware of this sweetheart relationship with the Prime Minister.”

Sir Mekere said the foreign exchange shortage was an additional crippling agent for the private sector. Business turnover has been reduced significantly, as companies cannot get the foreign exchange they need to buy supplies.

The two factors together, arrears and severe foreign exchange shortage, have generated the current recession in the non-mining sector, on which most people depend for income and employment.

“PM, what are you going to do to enable the country to be taken off the drips and function normally,” Sir Mekere asked. “How long are we going to wait for you and your Government to address the problems? 100 Days are over. They have not relieved the pain. The Supplementary Budget is over. It has not provided any solution or set any clear direction that will lead to solving the problems. So how and when?”