



**MINISTER FOR TREASURY**

**Final Budget Outcome 2021  
and  
Achievements**

**HON. IAN LING-STUCKEY, CMG.MP**

**Minister for Treasury**

**21 April 2022**

Mr Speaker

What an extraordinary three years of responsible, responsive, caring economic actions by the Marape Government. What a contrast to the worst economic mismanagement in our nation's history by the head of the PNC!. Before I demonstrate these differences in performance, I need to cover two important items.

First, I want the Final Budget Outcome for 2021. Once again, I have good news to share on successful, steady, on-going budget repair and reconstruction.

Second, I want to quickly outline key actions being taken by the Marape-Basil Government to deal with cost-of-living pressures on PNG families due to the Ukraine-Russian war.

Mr Speaker, I am pleased to foreshadow that I will be introducing important legislative changes before this Parliament rises which will provide targeted relief to our families. We consider we will have significant extra revenues in 2022 flowing from the increased profitability of our petroleum and minerals sector. We will re-direct these increased revenues back to our people.

First, we will remove fuel excise and GST on all fuel products for six months. From the beginning of May, it will cost K107 less to fill up a 100 litre tank of petrol. This will cost an estimated K250 million.

Second, we will lift the income tax threshold from K12,500 to

K17,500 from 1 June 2022 to the end of the year. So if someone earns K17,500 or above, they will now take home in their fortnightly pay packet an extra K42.30. This will cost K135 million. Third, we will fully fund school project fee costs in 2022. This will flow through to all families with children in schools with the re-imbursment of project fees of 20 per cent. This will costs K126 million. And finally, we will work with local businesses to reduce the cost of all tinned fish, Ox and Palm, rice and flour by 10% at a cost of K100 million. This is a major K611 million package to assist our families. We cannot deal with all of the impacts of the war, but we can help. And if the war continues, we will do more. This is a good, responsive, responsible government, listening to our people and businesses, while also protecting our children's future by on-going budget repair.

### **Final Budget Outcome 2021**

Mr Speaker, I am pleased to provide Parliament with good news on the performance of the 2021 Budget.

The budget deficit target for 2021 was K6,631 million.

The outcome is a deficit of K6,270.3 million.

Expenditure of K20,130.7 million. This is higher than expected, all because of higher donor grants.

Revenues of K13,860.4 million. Tax revenues were higher than expected, and donor grants were much higher than expected.

As a share of our GDP, the deficit drops from 8.9% of GDP in 2020 down to 6.7% for 2021. A reduction of over one billion Kina from the K7,304 million in 2020.

By international standards, this is an extraordinary turnaround in just one year – an improvement of 2.2 percentage points of GDP. More than double what would be regarded internationally as a good rate of repair.

Mr Speaker, let me share a personal comment. As a businessman, I have never liked having to borrow. As a businessman, I have slashed costs when necessary.

But the role of a Treasurer requires careful balances in protecting the health and education and infrastructure spending in our budget. It needs business insights but also wise judgement given the much broader role of the Treasurer in national development for all our people and its social consequences. We need to support the United Nation's Sustainable Development Goals for our people. Careful balances in focusing tax increases on those that can afford it the most. Reducing our borrowing with a clear, costed, credible plan to return to a budget surplus by 2027 and getting our debt levels down to below 30% of GDP and even the option of eliminating all debt completely for the first time in our history.

Mr Speaker, budget repair and reconstruction also builds international credibility. The opposition claims we would not be able to finance PNG's budget.

We did so.

K4,913 million in good, cheap international financing.

We used these funds to help pay off the expensive Credit Suisse loan – having to borrow to pay off the former government's borrowings, but doing so at interests costs of usually under 2% rather than commercial interest costs of over 8% such as on the expensive sovereign bond.

Our constructive, open, transparent international engagement also has led to a major increase in international grant support.

We budgeted for K1,008 million in international grant support in 2021. We received K2,088 million – more than double. An extra K1 billion in grant support. This is over K100 extra for every person in PNG to support government services.

And for the first time in more than two decades, I am pleased that some donors have actually started to provide grant support directly through our own budget.

This is a sign of trust, this is a sign of partnership, this is delivering benefits to our people from constructive engagement with the global community.

Mr Speaker, we have also continued the process of changing the fundamental structure of our budget. We are bringing operational costs under control. We are rapidly expanding the capital budget. More needs to be done, with salary costs for teachers and police and health workers higher than initially expected. But the level of cost blowouts have reduced dramatically – more on that later. And I am very pleased there is a comprehensive staffing review plan that has been completed to bring these costs under even greater control.

Another successful FBO outcome with on-going budget repair. Not just words, but distinct actions. Revenue targets met. Financing targets met. Expenditure under control. More and more government expenditure focused on the capital budget.

These concrete actions of budget repair are being rewarded by the international community. Let me thank our international partners for their outstanding support.

2021 was a very good year for budget repair in PNG.

### **Marape-Basil Government's Economic Achievements**

Mr Speaker, these very positive outcomes from this year's Final Budget Outcome is just further evidence that the Marape-Basil Government is delivering for the people of PNG.

Recently, I sat down with my economic team to reflect on the achievements since becoming the Treasury Minister in the Marape

Government. We quickly got to over 100 achievements. Not just a 100 day action plan from the last government, with most of the promises not delivered.

Instead, a steady path forward based around 10 economic principles set out in the 2020 Budget for a better, fairer economic vision, better budgeting, and working to build international support. These principles have stayed with us. They were based on our national goals in the Constitution and the United Nation's Sustainable Development Goals. They were built on the values of the Pangu Party and the National Alliance.

They have been robust and helped guide us through the extraordinary once in a century global health pandemic.

Once again, they are guiding us through the worst war to explode in Europe since the end of World War 2.

Mr Speaker, I will not go through all 100 achievements during this speech. For if I spent only one minute on each of these achievements, only one minute, I would be here for another one hour and forty minutes.

I hear a sigh of relief! For we know we already have a busy Parliamentary agenda. These achievements will be set out over the coming month in press releases and other presentations.

Let me go through just a few high level ones, and let me compare these to the first few years of the failed government of the current head of the PNC from 2012 to 2014.

He has become the one that must not be named, but we all know who it is.

We all know what he did.

We just need to remember.

All the sackings of anyone who questioned his corrupt practices.

All the incompetence and abuse of office. All the concentration of power. All the lack of listening to other Ministers, especially former Treasurers. The UBS report indeed promises to be an insightful one.

Mr Speaker, the former 2012 Government inherited a balanced budget with debt levels that had been declining over the last decade due to good National Alliance economic management.

But then the disastrous change of government. Within 2 years, the budget deficit had exploded from 0% to 7.8% of GDP. This is the worst, most irresponsible, budget blowout in PNG's history. Shame on them!

When the Marape Government came to power, the budget deficit pretended to be only 2.3% of GDP. A Due Diligence exercise,

confirmed by the International Monetary Fund, was that these were fake budget figures. Instead, the real deficit was 5.8% of GDP.

The work in 2019 reduced this budget deficit to just 5.0%. Hard work commenced early.

But then the COVID-19 global pandemic hit and we lost an extraordinary K2.5 billion in revenue. Rather than slashing the budget, we worked with international partners to protect the budget. We knew this was vital for protecting the economy. The 2021 budget outcome is a deficit of 6.7% of GDP.

So in comparison, the former government, in the best years of the largest resource project in our nation's history set up by our Grand Chief Somare, exploded the budget deficit by 7.8% of GDP. Over the last 2 years, in the worst of times, our change is only 0.9% of GDP. And we have a clear, costed vision of returning us to a budget surplus by 2027. What a contrast in the quality of economic management. 7.8 per cent of GDP deficit decline versus just 0.9 per cent.

Interest costs in 2012 were K452m. They then more than doubled to K933m by 2014, an increase of 106% in just two years. They then more than doubled again by the time the Marape Government came to power to K2,147m. Over the last two years, our hard work has limited interest costs to K2,249m an increase of under 5%. Interest cost increases of 106% versus less than 5%.

Exchange rates in 2012 were that 48 US cents could buy one Kina. By the end of 2014, it only took just 38.55 US cents to buy one Kina, a massive fall of 20% in just two years. This collapse of the Kina under poor economic policies continued over the next 4 years. By the time the Marape government had taken over, our Kina currency had fallen by 38%.

Mr Speaker, let me repeat, the exchange rate depreciated by 38% during the years of the former government.

So when we talk of cost-of-living pressures, especially imported inflation, remember the economic mismanagement which led to a 38% depreciation. If the foreign exchange rate had not fallen so much, fuel would be so much cheaper. Instead of K5 per litre, it would be only K3 a litre.

At the end of May 2019, this Government inherited an exchange rate that had dropped dramatically so instead of needing 48 US cents to buy one Kina, you only needed 29.55 US cents. By 31 December 2021, the Kina has only dropped to 28.50 US cents despite the worst global health emergency in a century.

So in the first two years under the previous government, a 20% depreciation, increasing to a 38% depreciation by 2019, compared just to 3% under this government. What a contrast! And the union movement, who's leadership is opposing me in my seat of Kavieng, is

running a scare campaign on depreciation! Get a life! Just look at the facts.

Total foreign exchange reserves in 2012 were K8,406 million. By 2014, they had decreased to K5,980 million, a decline of 29 per cent. The Marape Government has seen an increase in foreign exchange reserves from K7,880m in 2019 to K11,368 at the end of 2021, an increase of 44%. Minus 29% in reserves versus an increase of 44% under the Marape economic team.

Public servant wage payments were K2,496 million in 2012. By 2014, they had increased to K3,697 million, an increase of 48.1 per cent. Wage costs were out of control.

From 2019 to 2021, public service wage costs, despite major increases in financing for teachers and health workers, increased just under 4.5 per cent. From K5,831m in 2019 to K6,093m in 2021. 48.1 per cent increase in public service wages over 2 years vs 4.5 per cent.

This is fiscal responsibility. This is the hard work of budget repair. Not necessarily popular. Unions, especially under my political opponent, will protest during this election campaign. We have built into the budget responsible wage increases in the budget, but never again the weak economic policies of the previous government that threatened our nation's budget and our development with an average increase in public servant wages of 24 per cent each year. How irresponsible! Lest we forget!

International donor grants were K931 million in 2012, and declined by 7 percent to K868 million in 2014 as the international community lost confidence in the antics of the previous Government. Under this government, international donor grants have increased by 17 per cent to 2,088 million in 2021, the highest level ever. A fall of 7 percent versus an increase of 17 per cent. What a massive turnaround in international support!

On corruption, in 2012, PNG was rated as a low 25 out of 100 by Transparency International, and it did not improve by 2014. Under the Marape Government, the index lifted from 28 in 2019 to 31 in 2021, the best rating PNG has ever received. Still a long way to go, and as the ICAC deals with its challenge from the Ombudsman Commission, and as we see the results of the UBS inquiry, we expect that rating to continue to improve. Our people expect a less corrupt government than they suffered from 2012 to 2019. On-going corruption versus concrete improvements.

As I have gone through the list of achievements, we see a very stark contrast to the former government which was benefitting from the Somare Government's hard work to get the PNG LNG project working versus the current government facing the worst global pandemic in a century. All their figures should have been so much better because the times were better, but their mismanagement means the opposite!

In budget deficit levels increases of 7.8% of GDP vs 0.9%, in debt interest payments increases of 106% vs 5%, in Kina depreciation of 20% vs 3%, in foreign exchange reserves of a decrease of 29% vs an increase of 44%, in public servant wage increases of 48.1% vs 4.5%, in international donor grants of a decrease of 7% vs an increase of 17%.

Let us not forget.

Then there are so many achievements that are much harder to quantify.

The priority given to our non-resource sector which is where most of our people earn their livelihoods rather than just giving big tax concessions to their mates. Take back PNG!

The vital reforms to modernise our central bank as a step in removing our foreign exchange shortages, the greatest challenge to growth in the eyes of our local business leaders.

The extraordinary expansion in our labour mobility programs with over 1,500 workers going overseas this year and major expansions planned in the years ahead.

Our repayment of over K600 million in the former Government's arrears.

No big tax increases on families or workers – instead targeting the most profitable sectors and working to lift tax compliance from the black economy.

The massive increases in our health, education and infrastructure all in the context of budget repair.

This is a Government of actions, not of words.

But economic reform is a process that takes years under a responsible, responsive, credible economic team.

Let us not return to failed policies of the past.

## **Conclusion**

Mr Speaker.

I have covered key economic updates for our country.

I have worked to constantly provide these updates in each session of Parliament despite all the challenges of COVID-19 and the very suspicious hack of our own IFMIS government accounting system.

I have been proud to serve as a member of the Marape-Basil Government's senior economic team.

Whatever the outcome of the election, I truly believe that we have delivered better economic outcomes for our children's future.

It has been an honour to serve, and I thank the people of PNG for the opportunity that they have given me.

Mr Speaker, I commend the Final Budget Outcome 2021 to the Parliament.

Thank you Mr Speaker and the people of PNG.

**The Hon. Ian Ling-Stuckey, CMG. MP**  
**Treasurer**

