

EXPLANATORY MEMORANDUM

Papua New Guinea Fiscal Responsibility (2014 Budget Amendment) Bill 2013

The Bill proposes the following:

1. To amend the limit on general government debt to allow for an increased level of general government debt to be on issue during 2015 whilst general government debt limits transition back to 30 per cent of Gross Domestic Product by 2015 end.
2. To amend the limit to a target for the Government, which if exceeded must be returned to under the limit specified for general government debt within one year.

***PAPUA NEW GUINEA FISCAL RESPONSIBILITY (2014 BUDGET AMENDMENT) BILL
2013***

MR SPEAKER,

I INTRODUCE INTO THE HOUSE A BILL TO AMEND THE PAPUA NEW GUINEA FISCAL RESPONSIBILITY ACT.

THE AMENDMENTS, MR SPEAKER, SEEK TO AVOID THE ISSUES EXPERIENCED IN THE UNITED STATES OF AMERICA WITH THE POLITICISATION OF THEIR DEBT LIMIT WHILST SEEKING TO ENSURE FISCAL DISCIPLINE IS MAINTAINED.

MR SPEAKER, THE EFFECTS OF THE US DEBT STAND OFF INCLUDED PUBLIC SERVANTS STOOD DOWN FROM THEIR WORK INDEFINITELY AND SERVICES WITHDRAWN FROM THE PUBLIC AFFECTING THE LIVES OF MANY PEOPLE AND THE WORLD.

MR SPEAKER, I DO NOT WANT TO SEE A SIMILAR SITUATION IN PAPUA NEW GUINEA WITH THE LIVES OF PAPUA NEW GUINEANS IMPACTED UNNECESSARILY.

THE CURRENT DEBT LEVEL, MR SPEAKER, IS AN ESTIMATED CEILING BASED ON ASSUMPTIONS OF GROSS DOMESTIC PRODUCT AND EXCHANGE RATES. WHERE THESE VARY, MR SPEAKER THE GOVERNMENT MAY BREACH THE DEBT CEILING DUE TO CHANGES IN ECONOMIC CONDITIONS THAT HAVE OCCURRED RATHER THAN MISMANAGEMENT.

AS SUCH MR SPEAKER I SEEK TO AMEND THE DEBT LIMIT TO A STATEMENT BY THE GOVERNMENT THAT IT WILL SEEK TO MAINTAIN DEBT BELOW 35 PER CENT OF GROSS DOMESTIC PRODUCT IN 2013, 2014 AND 2015 (THE TRANSITIONAL YEAR) AND THEREAFTER BELOW 30 PER CENT OF GROSS DOMESTIC PRODUCT.

THE BILL MR SPEAKER, ALSO MAINTAINS FISCAL DISCIPLINE BY REQUIRING THAT DEBT LEVELS ABOVE THIS BE REMEDIED WITHIN ONE YEAR. THIS YEAR IS TO GIVE THE GOVERNMENT THE TIME IT NEEDS TO RESTRUCTURE ITS OPERATIONS SO THAT IT ONCE AGAIN COMPLIES WITH THE STATEMENT OF INTENT BY THE GOVERNMENT.

MR SPEAKER, I COMMEND THE BILL.

No. 407 of 2013

Papua New Guinea Fiscal Responsibility (2014 Budget)(Amendment) Bill 2013.

Draft of 17/11/2013



No. 407 of 2013

Papua New Guinea Fiscal Responsibility (2014 Budget)(Amendment) Bill 2013.

ARRANGEMENT OF CLAUSE.

Principles for Sound Management (Amendment of Section 4)



INDEPENDENT STATE OF PAPUA NEW GUINEA.

A BILL

for

AN ACT

entitled

Papua New Guinea Fiscal Responsibility (2014 Budget Amendment) Act 2013

Being an Act to amend the *Papua New Guinea Fiscal Responsibility Act 2006*,

MADE BY the National Parliament to come into operation on the 1 January 2014.

1. PRINCIPLES FOR SOUND MANAGEMENT (AMENDMENT OF SECTION 4)

Section 4 of the Principal Act is amended by:-

(a) repealing Subsection (c) and replacing it with the following:-

“(c) *Government will seek to maintain the level of general government debt below 30 per cent of Gross Domestic Product, apart from the years 2013, 2014 and 2015 where the Government will seek to maintain debt below 35% of Gross Domestic Product, having regard to the Government’s other liabilities and the size and likelihood of contingent liabilities;*

(c)(i) *If general government debt exceeds the amount specified in Section 4(c), the Government must take all necessary actions to return the level of general government debt within one year to the limit specified in Section 4(c).*