



Sovereign Community  
Infrastructure Bills are  
Undemocratic, Illegal and Immoral

# Background

- Nasfund Newsletter of April 2010. Announcement of K125m Infrastructure Financing.
- PM's Office Advertisement of Monday February 7<sup>th</sup>.
- Governor Dion's Advertisement of 9<sup>th</sup> February 2011.
- Reported Suspension of Minister Tammur on alleged forgery over use of PMs name. PC 10<sup>th</sup> Feb.
- National Newspaper Article of March 3<sup>rd</sup> 2011
- Parliamentary Opposition raising questions
- Attorney General and Treasury Minister Reported to have stated on separate occasions that Treasury Bill issue was illegal.
- Nasfund Board taken out advertisements to argue and justify legitimacy of the deal.
- Acting PM reported to say that Government will look at reintroducing a bill to rectify and legalize the deal.

# Outline and Purpose

- Presentation made to discuss the “Sovereign Community Infrastructure Bill”.
- Spotlight based on article of same title published in the National Newspaper, 3<sup>rd</sup> March.
- Outline.
  - Legality of Deal. (Not an official policy of Govt.)
    - Borrowing
    - Accounting and Expenditure of Funds
    - Effect of uncontrolled Borrowings.
    - Immorality of future generations meeting current expenditure not approved under laws of PNG.

# Borrowing (Legality)

- The deal did not have the approval of Parliament as required by the PNG Constitution Sections 13 and 14. (Payments into and out of Consolidated Revenue).
- The Public Finance Management Act. The Minister may borrow on behalf of the state to meet deficiencies of approved budget.
- Compliance with procedures for Issuance of Treasury Bills
- Bank of PNG Act. (Limits to Government Borrowing)

### **35. RESTRICTIONS ON BORROWING.**

(1) The State may not borrow money except under and in accordance with an Act of the Parliament.

(2) Moneys borrowed under Subsection (1) from whatever sources shall not exceed the limit provided for by the **Central Banking Act (Chapter 138)**.

(3) All debt charges for which the State is liable in respect of loan moneys shall be charged on the Consolidated Revenue Fund.

### **36. ADVANCES AND OVERDRAFTS.**

(1) The Minister may, for and on behalf of the State, borrow moneys -

*(a) from such domestic and external sources; and*

*(b) on such terms and conditions,*

as the Head of State, acting on advice, approves, in order to meet temporary deficiencies

in revenue in a fiscal year.

(2) Moneys borrowed under Subsection (1) from whatever sources shall not exceed the limit provided for by the **Central Banking Act**

# Accounts and Expenditure (Info)

- K125 Account to be managed by National Capital Ltd, a company with 40% share held by Nasfund. Project introduced to Nasfund by the Managing Director of National Capital Ltd.  
(Nasfund Newsletter of April 2010)
- Governor Dion's Statement indicates that procurement procedures as per the Public Finance Management Act not being Followed.

# Accounts and Expenditure (Legality)

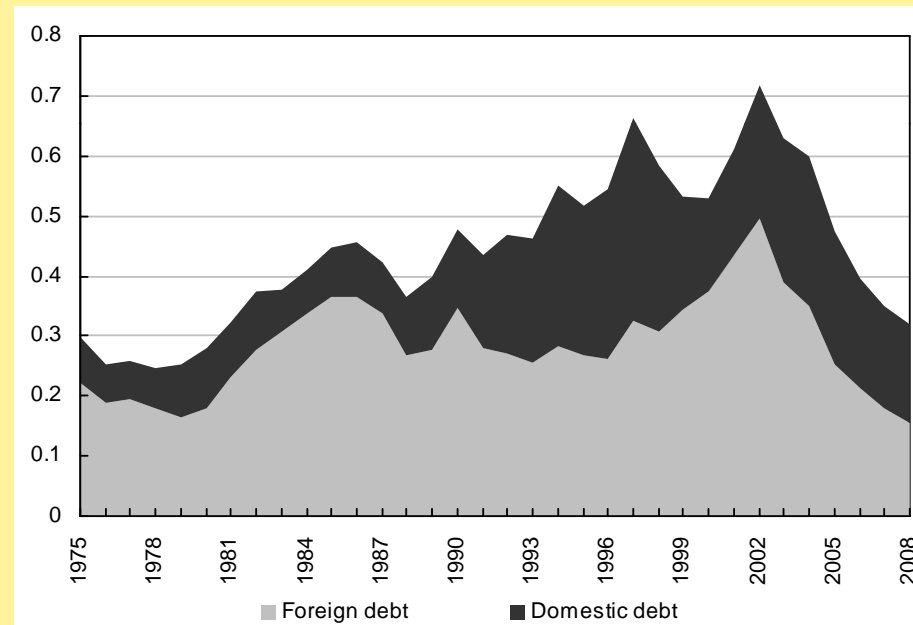
- Breach of Constitution as Parliament did not approve Income revenue to Consolidated Revenue nor approve an Expenditure for Kokopo Infrastructure Projects.
- Public Accounts – Public Finance Management Act requires all revenues to be put into a Consolidated Revenue or a Trust Account for a specific purpose. This was not done.
- Secretary For Finance is responsible for Management of Public Accounts. Was relevant approval given to operate an account to manage funds.
- Procurement procedures required under Public Finance Management Act were not met.
- Accountability mechanism not clear. Audits, Performance reports etc.

# Repayment From Future Revenues

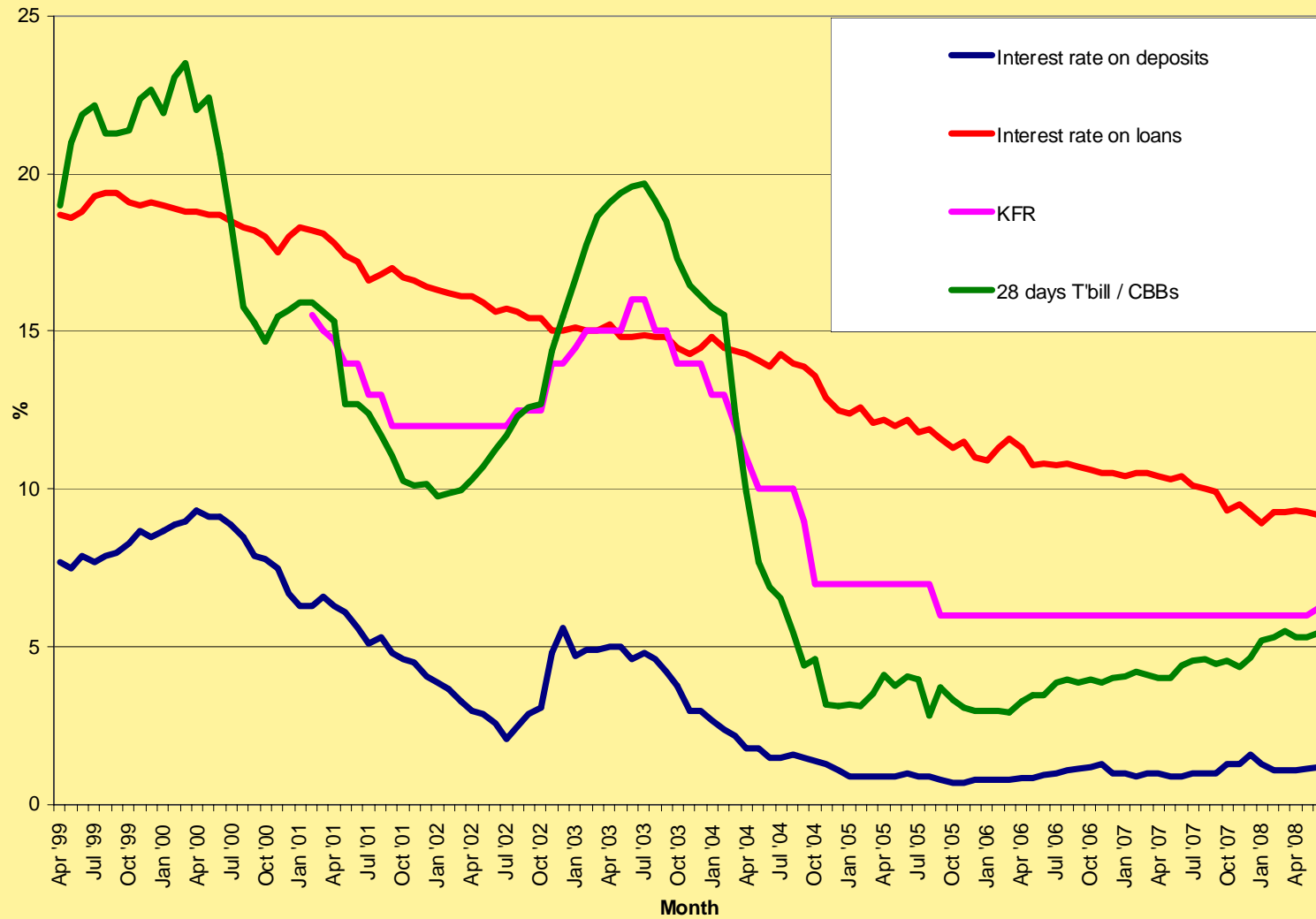
- K125m with 7.5% interest.
- Possibility for other Members of Parliament or any other community leader to request Minister for Treasury to approve, committing future revenues to such “Sovereign Community Infrastructure Bills”.
  - No proper check and balance mechanisms and oversight by Parliament.
- Why should the rest of PNG pay for a loan that they nor neither their representative (MP) had a say. This is Immoral committing future generations to repay dubious loans.

# Lessons of the Past – High Level of Debt and Effect on Economy

Chart 5: Total Government Debt - Domestic and Foreign (1975–2008)

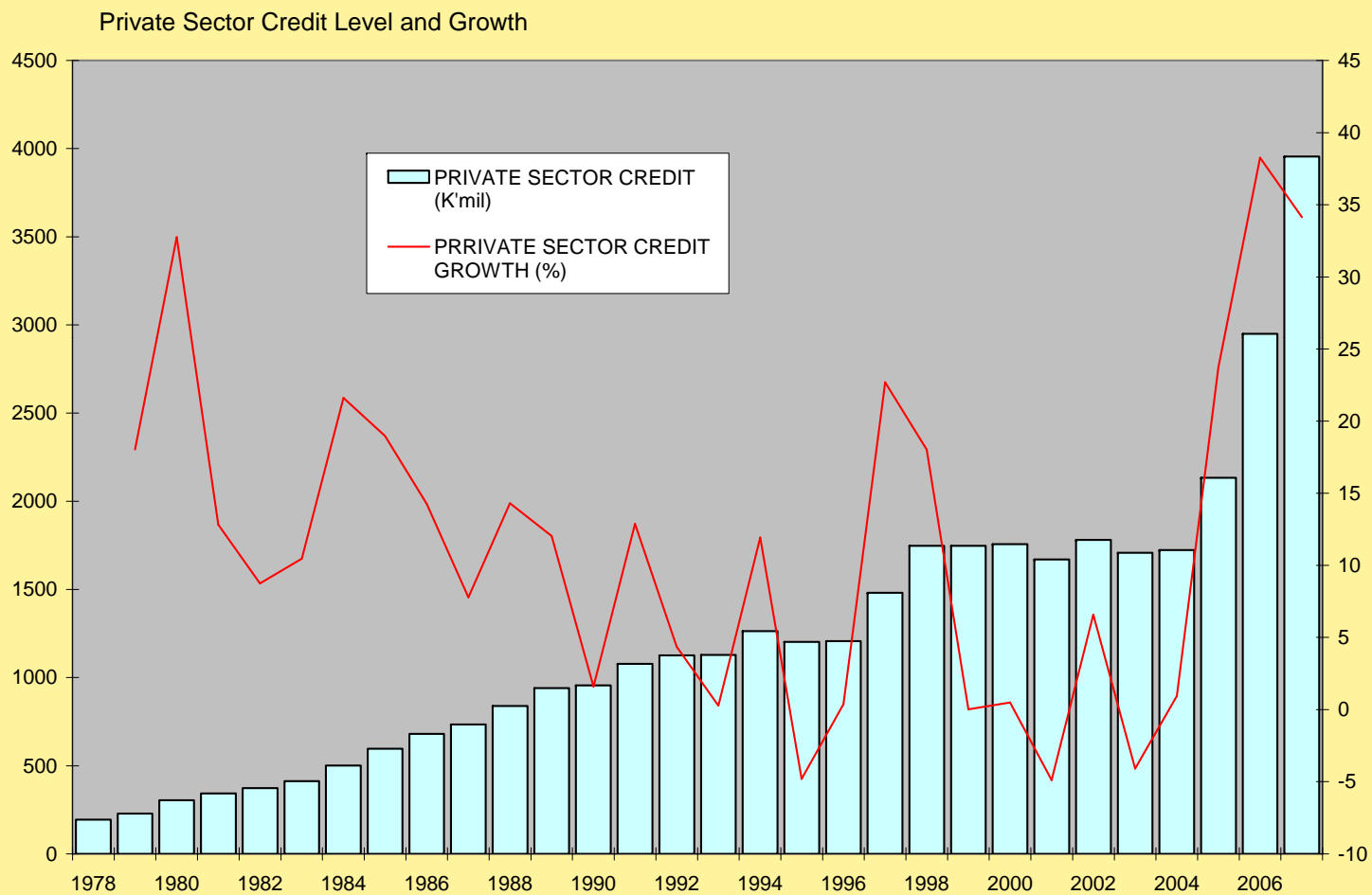


**Chart 8: PNG Domestic Interest Rates (1999–2008)**



Source: Bank of PNG.

# Chart 10: Private Sector Credit (1978–2007)



Source: Bank of PNG.

# Summary

- The Deal is illegal.
- The Deal should not be legitimized.
- Investigation should be conducted by Government to establish why procedures were not followed and ensure that this does not happen again.
- Investigation should be conducted by Government to hold individuals accountable.