

INDEPENDENT ADVISORY GROUP

Review of the Central Banking Act 2000 Phase One Report

25 October 2021

Letter of Transmittal
Independent Advisory Group
On Review of Central Banking Act 2000
c/- Treasury Haus, Waigani, NCD, Papua New Guinea.

25th October 2021

Honourable Ian Ling - Stuckey CMG MP
Minister for Treasury,
Treasury Haus,
WAIGANI, NCD,
Papua New Guinea.

Dear Minister,

PHASE I REPORT
Independent Advisory Group on Review of Central Banking Act 2000

Greetings!

We have the honour to submit to you our Phase I Report which addresses our Terms of Reference you issued on 13th May 2021 covering the issues of governance, accountability and transparency; government financing; crisis management; the Bank's objectives; and issues for the second phase of our work. We have presented for your consideration thirty-one recommendations covering these core areas.

We particularly recognise three strategic considerations –

- International best practice has changed, and PNG needs to change with it;
- The experience of the last twenty years shows that we need to take account of Papua New Guinea's unique circumstances and economic structure; and
- A holistic view is required given the Bank's role in setting monetary policy, exchange rate policy, government financing and banking, and financial regulation.

Our vision is a Central Bank of Papua New Guinea that is both independent and accountable, whose discretion is limited by law, and whose objectives are aligned to its functions. Our recommendations draw on detailed analysis – both what has worked and what has not, both in PNG and internationally – to transform that vision to reality.

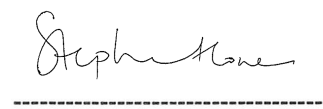
The Bank of Papua New Guinea is a critical institution for the Papua New Guinea economy. The Central Banking Act 2000 transformed Bank of PNG's performance with positive results for the economy and people of Papua New Guinea. A second round of reforms is now needed, and could have the same transformational impact once again.



Robert IGARA CMG
Chair



Sir Wilson KAMIT CBE
Kt
Member



Professor Stephen HOWES
Member

Independent Advisory Group (IAG) members



Mr Robert Igara, IAG Chair, is Chancellor at the University of Papua New Guinea, and was Chief Secretary when the Central Banking Act was introduced in 2000.



Sir Wilson Kamit was Governor of the Bank of Papua New Guinea from 1999 to 2009.



Dr Stephen Howes is Professor of Economics at The Australian National University and Director of the Development Policy Centre.

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Abbreviations

AFEDs	Authorised Foreign Exchange Dealers
ANU	The Australian National University
BIS	Bank for International Settlements
BPNG	Bank of Papua New Guinea
BSP	Bank of South Pacific
CBA	Central Banking Act 2000
CBBs	Central Bank Bills
CRR	Cash Reserve Requirement
DDA	District Development Authorities
DOT	Department of Treasury
DSIP	District Services Improvement Program
FASU	Financial Analysis and Supervision Unit
FX	Foreign Exchange
GDP	Gross Domestic Product
GNI	Gross National Income
IAG	Independent Advisory Group
ICCC	Independent Consumer and Competition Commission
IMF	International Monetary Fund
IS	Inscribed Stock
KFR	Kina Facility Rate
LNG	Liquid Natural Gas
MPC	Monetary Policy Committee
MPS	Monetary Policy Statement
NEC	National Executive Council
NRI	National Research Institute
NZ	New Zealand
ODC	Other Depository Corporations
PGK	Papua New Guinean Kina
PNG	Papua New Guinea
QE	Quantitative Easing
QEB	Quarterly Economic Bulletin
RBNZ	Reserve Bank of New Zealand
RER	Real Exchange Rate
SOE	State-Owned Enterprise
T-Bills	Treasury Bills
TAF	Temporary Advance Facility
TISA	Teacher's Savings and Loan Societies
TOR	Terms of Reference
UPNG	University of Papua New Guinea
USD	United States Dollar