

Chapter 7. Recommendations

7.1 Introduction

This chapter contains our recommendations. After this brief introduction, [Chapter 7.2](#) presents them in relation to the issues of governance, accountability and transparency discussed in [Chapter 2](#). [Chapter 7.3](#) presents recommendations in relation to the financing issues discussed in [Chapter 3](#). [Chapter 7.4](#) presents recommendations in relation to crisis management as discussed in [Chapter 4](#). Finally, [Chapter 7.5](#) presents recommendations in relation to objectives as discussed in [Chapter 5](#).

Recommendations are numbered from 1 to 31. Each recommendation contains a summary of that recommendation, its rationale, the relevant report reference for more detail, and the recommended legislative changes. *Suggested new text is placed in italics.*

7.2 Governance, accountability and transparency ([Chapter 2](#))

Recommendation 1: Terms for Governor

Recommendation: We recommend that the maximum for a single term for the Governor be reduced from seven to six, and from 14 to 12 years as the maximum in total. There should be no minimum tenure for the second term (for flexibility in succession).

Rationale: Seven years for a single term and 14 for a total of two terms are on the long side as term limits by international standards and could be reduced to six and 12 without sacrificing stability. Removing the minimum for the second term would increase the flexibility for replacement of the Governor by a Deputy Governor (the most common succession pathway), bearing in mind the term limits we propose for a Deputy Governor.

Report reference: [Chapter 2.1\(c\)](#)

Recommended changes: The relevant clauses of Section 15(1) state that the Governor

- (b) be appointed for such period, of not less than five years and more than seven years, as the Head of State, acting on advice, determines; and
- (c) be eligible for re-appointment for a total maximum of two terms; and
- (d) not serve as Governor in total for more than 14 years.

We recommend clauses (b) and (d) be revised to read:

- (b) be appointed for such period, of not more than six years, and in the case of the first term not less than five years, as the Head of State, acting on advice, determines;*
- and*
- (d) not serve as Governor in total for more than 12 years.*

Recommendation 2: Appointment of and term limits for Deputy Governors

Recommendation: The Deputy Governors should be appointed by the Board, and subject to a two-term limit.

Rationale: Deputy Governors form part of the critical leadership team of the Bank and share the responsibilities of the Governor including as members of the Board and the MPC. This collegial approach promotes synergy of expertise and accountability. At the moment Deputy Governors are appointed by the Governor, after consultation with the Minister. Shifting this responsibility to the Board removes political considerations from the appointment process.

There is currently no limit on how long someone can be Deputy Governor. A ten-year limit will promote continued rejuvenation of the Bank leadership.

Report reference: [Chapter 2.1\(d\)](#)

Recommended changes: Section 19(1) currently reads:

The Governor shall, after consultation with the Minister, by notice in the National Gazette, appoint: (a) a Deputy Governor; or (b) two Deputy Governors, of the Central Bank.

We recommend instead:

The Board shall, after consultation with the Governor, by Notice in the National Gazette, appoint: (a) a Deputy Governor; or (b) two Deputy Governors, of the Central Bank.

Section 20(1) currently reads:

The Deputy Governor or the Deputy Governors, as the case may be, shall be appointed for a term of five years and may be re-appointed for a further term or terms, each up to five years.

We recommend 'a further term or terms' be replaced by '*a maximum of two terms*'.

There is also a need for transitional arrangements. Section 112(1) of the Act reads:

The persons who, immediately before the coming into operation of this Act, held the position of Governor and Deputy Governor under the repealed Act, shall, on the coming into operation of this Act, notwithstanding the appointment process set out in this Act, continue to hold office as the Governor and Deputy Governor respectively, and on the same terms and conditions.

This clause is now redundant. We recommend it be replaced by:

The persons who, immediately before the coming into operation of the amended

Section 15(1)(b) and Section 20(1), held the position of Governor and Deputy Governor, shall, on the coming into operation of the amended Section 15(1)(b) and Section 20(1), notwithstanding the appointment process set out in this Act, continue to hold office as the Governor and Deputy Governor respectively, on the same terms and conditions, but subject to the term limits set out in Section 15(1) and Section 20(1), both as amended. If those term limits have been exceeded, those persons shall remain in office until new appointments are made, such appointments to be made as expeditiously as possible.

Recommendation 3: Establishment of a Monetary Policy Committee (MPC)

Recommendation: Responsibility for the formulation of monetary policy and oversight of its implementation should be moved from the Governor and vested in a Monetary Policy Committee chaired by the Governor.

Rationale: This would bring BPNG into line with international best practice, and improve accountability, contestability and transparency.

Report reference: [Chapters 2.1, 2.2](#) and [2.3](#)

Recommended changes: Section 10 currently reads:

10. GOVERNOR RESPONSIBLE FOR IMPLEMENTATION OF MONETARY POLICY.

(1) It is the duty of the Governor to formulate and implement monetary policy consistent with the carrying out by the Central Bank of its objective of achieving and maintaining price stability.

(2) The Governor has power to do in the country or elsewhere all things necessary or convenient to be done to formulate and implement monetary policy including without limitation and in addition to any other powers conferred by this Act or any other law, power to – [etc]

We propose Section 10 be revised to read:

10. RESPONSIBILITY FOR FORMULATION AND IMPLEMENTATION OF MONETARY POLICY.

(1) The Monetary Policy Committee is hereby created as a Committee of the Bank.

(2) It is the duty of the Monetary Policy Committee to formulate monetary policy and oversee its implementation consistent with the carrying out by the Central Bank of its objectives as defined in Section 7(a).

(3) The Governor has power to do in the country or elsewhere all things necessary or convenient to be done to implement monetary policy as formulated and overseen by the Monetary Policy Committee, including without limitation and in addition to any other powers conferred by this Act or any other law, power to – [etc]

Note that Section 10(2) above is also revised to ensure that the objectives of monetary policy are only defined once, to remove possible ambiguity: see [Recommendation 30](#).

[Recommendation 4: MPC membership](#)

Recommendation: The Monetary Policy Committee should have a balanced membership of two internal and two external members, with external members selected by the Board, and one an international expert.

Rationale: Our approach keeps the MPC small, and maximises contestability, while ensuring that the Governor, who would chair the MPC, cannot be overruled, by giving him or her the casting vote if needed. MPC external members would be appointed by the Board to ensure independent capacity of the MPC, and, following the ICCC precedent, one external member would be a non-resident international expert.

Report reference: [Chapter 2.3\(b\)](#)

Recommended changes: Prescriptions regarding MPC membership could be set out as a new Section 10A, as follows:

10A. MONETARY POLICY COMMITTEE MEMBERSHIP

(1) The Monetary Policy Committee shall have a membership of four.

(2) The membership of the Board will comprise –

(a) The Governor, ex officio, who will be the Chair, and preside over meetings.

(b) The Deputy Governor responsible for monetary policy, ex officio, nominated by the Governor, and who will preside over meetings in the absence of the Chair.

(c) Two persons appointed by the Head of State, acting on advice, by notice in the National Gazette, on the recommendation of the Board, who are not Bank employees or Board members, who are persons of

(i) good moral standing,

(ii) generally recognized standing and professional experience in monetary and banking matters, and

one of whom has international experience in monetary policy and is not a resident of Papua New Guinea

(3) The validity of the acts of the Monetary Policy Committee will not be affected by any vacancy in its membership.

(4) With respect to the persons in (c) the Board shall, on the basis of the recommendations of the Board Governance Committee, make a recommendation to the Minister, and the Minister shall transmit that recommendation to the National Executive Council to advise the Head of State to appoint the candidate recommended by the Board to the Monetary Policy Committee.

Section 30 deals with extraordinary vacancies. It should be extended to the MPC, and a time limit imposed for nominating candidates whenever a vacancy arises, of 30 days. Therefore,

wherever Section 30 refers to ‘the Board’ replace it by ‘*the Board or Monetary Policy Committee*’. Section 30(3) reads:

(3) When the office of a Member becomes vacant, a person shall be nominated and appointed to fill the vacancy in the same way as the person whose office has become vacant was nominated and appointed.

After ‘nominated’ add ‘*within 30 days*’.

Likewise, Sections 35 (“Fees and Expenses of Members”) 36 (“Oath and Affirmation of Office”), 45(2)(f) (on details of fees etc.), 83(1)(a) (“Secrecy”), 95(1) and (2) (“Limitation of Actions”), and 102 (“Indemnity”) should apply to both Board and MPC members. In Section 35, replace ‘members’ by ‘*members of the Board and/or Monetary Policy Committee*’; in Sections 36, 83(1)(a) and 102(1), after ‘member of the Board’ add ‘*and/or Monetary Policy Committee*’; in Section 45(2)(f) and 95(1) and (2) replace ‘members of the Board’ by ‘*members of the Board and/or Monetary Policy Committee*’.

Recommendation 5: MPC member terms

Recommendation: The two external members should have terms of four years, and a maximum of two terms. The initial terms should be staggered.

Rationale: The proposed term limits follow the New Zealand practice. The staggering of initial terms is to avoid a sudden loss of MPC membership and experience.

Report reference: [Chapter 2.3\(b\)](#)

Recommended changes: Continue new Section 10A as follows:

(5) Other than ex officio members, Monetary Policy Committee members will have a term of four years, with a maximum of two terms.

(6) Other than ex officio members, the first time members are appointed to the Monetary Policy Committee, one will have a first term of three years, and the other a first term of five years, on the recommendation of the Board.

Recommendation 6: MPC independence

Recommendation: Restrictions on MPC membership, guarantees of independence and conditions for removal should parallel those of the Board.

Rationale: In general, restrictions on MPC membership, guarantees of independence and conditions for removal should parallel those of the Board.

Report reference: [Chapter 2.3\(b\)](#)

Recommended changes: Section 31(2) places limits on who can be appointed to the BPNG

Board. The same criteria should apply to external MPC members. Section 31(2) currently begins:

No person shall be appointed, or re-appointed to the office of member of the Board, or hold that office, if that person –

Replace ‘member of the Board’ by ‘*member of the Board, or member of the Monetary Policy Committee*’. Under [Recommendation 16](#), we propose additional limitations on who can become an MPC (or Board) member.

Provision needs also to be made for the removal of members. Sections 31(3) and (4) currently read:

(3) A member of the Board shall be deemed to have resigned from office where that person is prohibited from continuing to hold office under this section and the Minister shall, as soon as possible after the occurrence of such an event, publish the reason for the vacation of the office in the National Gazette.

(4) Where, in the reasonable opinion of the Minister, following consultation with the Governor, a member of the Board is –

(a) incapable of performing his duties; or

(b) in breach of his conditions of appointment; or

(c) guilty of conduct prejudicial to the performance of the duties of his office, the Head of State, acting on advice, may remove him from office and replace him under this Act.

In both clauses, replace ‘member of the Board’ by ‘*member of the Board, or member of the Monetary Policy Committee*’.

Monetary Policy Committee members should not be subject to outside direction; nor should members of the Board (see [Recommendation 16](#)). We recommend a new clause 27(4) that states this, as follows:

Members of the Monetary Policy Committee and the Board shall not be subject to the direction or control of any person including the Government.

[Recommendation 7: MPC meetings](#)

Recommendation: The Monetary Policy Committee should convene for at least two series of meetings a year, with more if required. It should make decisions by consensus if possible, and vote if necessary, with the Chair having the deciding vote. It should have a quorum of three, and allowance for remote meetings and meetings by resolution.

Rationale: The MPC should be aligned with the biannual MPS, and so convened at least twice a year, with provision for more meetings if needed. A mechanism is needed for when consensus cannot be reached; our proposal ensures that management cannot be overruled.

Report reference: [Chapter 2.3\(c\)](#)

Recommended changes: Prescriptions regarding MPC meetings could be set out as a new Section 10B, as follows:

10B. MONETARY POLICY COMMITTEE MEETINGS

(1) The Monetary Policy Committee shall meet at least twice a year.

(2) The Monetary Policy Committee shall make decisions by consensus if possible and by vote if necessary.

(3) If a vote is required to reach a decision of the Monetary Policy Committee, and votes are evenly split, then the Chair will have the deciding vote.

(4) A quorum of at least three is required for a meeting.

(5) Meetings can be held virtually.

(6) Additional meetings can be held by unanimous resolution.

(7) Between meetings, Monetary Policy Committee members shall be kept informed of all significant monetary policy implementation decisions.

(8) Monetary Policy Committee members shall have the right to seek information from the Bank, and have that information provided promptly.

(9) If, in the opinion of any Monetary Policy Committee member, a change in monetary policy may be needed between scheduled meetings, then an additional meeting shall be convened prior to that change being made, with emergency procedures as provided for in Section 10C.

(10) Following any meeting of the Monetary Policy Committee, whether in person, virtual or by resolution, a statement shall be published summarising the views of voting members and noting any votes.

Recommendation 8: MPC to issue MPS

Recommendation: The Monetary Policy Committee should issue the biannual Monetary Policy Statement (MPS), which should include a summary of its meeting.

Rationale: The MPS is the bedrock of monetary policy, and therefore must be an MPC responsibility. The MPS can be extended to include a report of the MPC meeting.

Report reference: [Chapter 2.3\(c\)](#) and [2.3\(d\)](#)

Recommended changes: Section 11(1) currently reads:

The Governor shall, within one month of the coming into operation of this Act, and every six months thereafter, issue a policy statement setting out the monetary policy of the Central Bank to achieve and maintain price stability for the following six month period.

We recommend this be replaced by:

The Monetary Policy Committee shall at least twice a year issue a policy statement setting out the monetary policy of the Central Bank to achieve and maintain its objectives as defined in Section 7(a) for the following six month period.

Note the reference to Section 7(a) so that objectives are only defined once, for the avoidance of ambiguity and confusion. See [Recommendation 30](#).

Section 11(2) currently reads:

Without limiting the generality of Subsection (1), a policy statement issued under Subsection (1) shall contain –

- (a) details of action taken in accordance with Section 10(2)⁹⁰; and
- (b) details of advice given in accordance with Section 12⁹¹; and
- (c) an outline of any circumstances giving rise to the Governor furnishing any report to the Minister in accordance with Section 13⁹².

We recommend a new clause be added:

(d) a report on the meeting of the Monetary Policy Committee held prior to the issuance of the Monetary Policy Statement, summarising the views of voting members and noting any votes.

In (2)(a), Section 10(2) needs to be replaced by Section 10(3), as revised under [Recommendation 3](#).

[Recommendation 9: MPC to produce five-year statement](#)

Recommendation: The Monetary Policy Committee should produce a five-year statement.

Rationale: A five-yearly report to “review and assess the formulation and implementation of monetary policy”, as per the Reserve Bank of New Zealand Act, would be a good opportunity for longer-term reflection and for facing up to issues that might get summary treatment or be neglected altogether in the six-monthly reports.

Report reference: [Chapter 2.3\(d\)](#)

Recommended changes: We recommend a new subsection be added to Section 11 (“Policy

⁹⁰ Monetary policy implementation.

⁹¹ Advice concerning the effects of monetary policy.

⁹² Special reports on adverse conditions.

Statements”):

(4) The Monetary Policy Committee must review and assess and consequently issue a report on the formulation and implementation of monetary policy every five years, starting the year after which this provision comes into effect.

Recommendation 10: MPC Charter

Recommendation: The Board must publish a charter for the MPC to provide for more detailed rules.

Rationale: More detailed rules would need to be established for the MPC. This can best be done by the Board through an MPC Charter.

Report reference: [Chapter 2.3\(e\)](#)

Recommended changes: We recommend a new subsection be added to Section 11:

(5) The Board shall approve, publish, review and periodically update a charter for the Monetary Policy Committee (MPC), consistent with this Act, which will include:

(a) requirements for summary records of the MPC’s meetings (including the content of the records, when and how those records must be published, and matters relating to the recording of different views and votes);

(b) guidelines or requirements relating to the publication or disclosure by a member of the MPC of any matter relating to the MPC or its functions or powers;

(c) requirements relating to other information that must or may be published by or on behalf of the MPC, including when and how that information must or may be published;

(d) meeting arrangements;

(e) rules for MPC members to manage and avoid conflicts of interest;

(f) rules for MPC members to maintain the confidentiality of information;

(g) rules for MPC members to promote active participation and preparation; and

(h) any other minimum standards of ethical behaviour and requirements for MPC members.

In addition, the existing conflict of interest rules applying to the Board should apply to the MPC. Section 33 reads:

33. DISCLOSURE OF INTEREST

(1) A member of the Board, who has a direct or indirect interest in a matter that is being considered or is proposed to be considered, by the Board, shall disclose the nature of his interest at the first meeting of the Board at which he is present after the relevant facts have come to his knowledge.

(2) A disclosure under Subsection (1) shall be recorded in the minutes of the Board, and after the disclosure the member –

- (a) shall not be present during any deliberation or decision of the Board with respect to the matter; and
- (b) shall not take part in any deliberation or decision of the Board with respect to the matter; and
- (c) shall be disregarded for the purpose of constituting a quorum for any such deliberation or decision.

Throughout, replace 'Board' by '*Board and/or Monetary Policy Committee*'.

Recommendation 11: Additional powers for the Board.

Recommendation: The Board should be given additional responsibilities and powers to enable it to execute its oversight role.

Rationale: The Board's role is fairly limited under the Act. While it should not be given responsibility for monetary policy, the Board does need additional powers to be able to play its oversight role effectively.

Report reference: [Chapter 2.4\(a\)](#)

Recommended changes: Section 26(1) currently reads:

Subject to this Act, the Board of the Central Bank is responsible for determining the policies of the Central Bank, other than the formulation and implementation of monetary policy and the regulation of the financial system which shall be the responsibility of the Governor.

The words 'which shall be the responsibility of the Governor' should be deleted. Some of these responsibilities will in fact shift to the MPC as defined by the legislation.

Section 26(1) should be redrafted to include additional responsibilities:

Subject to this Act, the Board of the Central Bank is responsible for

- (a) determining the policies of the Central Bank, other than the formulation and implementation of monetary policy and the regulation of the financial system;
- (b) *the general administration of the affairs and business of the Bank and the approval of the budget and operating plan of the Bank; and*
- (c) *oversight of the management of the Bank and keeping under constant review the performance of the Bank in giving effect to its objectives and carrying out its functions and the use of the resources of the Bank.*

Subsequent clauses would define additional important roles for the Board:

(2) The Governor and Deputy Governors shall be accountable to the Board for their acts and decisions.

(3) The Board has oversight of the integrity of the accounts and financial statements

of the Bank, the effectiveness of the internal control system, the performance of the internal audit function, compliance with legal and regulatory functions, and the management of risks.

(4) The Board may require the Bank to produce any book or document and shall have access to any information which is necessary or relevant for the carrying out of its functions under this Act.

(5) For the purposes of carrying out its functions under this Act, the Board may issue by-laws as are necessary and expedient in relation to the administration, affairs and business of the Bank or in respect of any other matters as set out in this Act.

(6) The Board shall, following consultation with the Minister, issue a Board Charter to prescribe its further working arrangements, consistent with this Act.

Recommendation 12: Bank Board to appoint auditor and approve Annual Report

Recommendation: The Bank Board should appoint the auditor and approve the Annual Report including the audited financial statements, which should be transmitted to the Minister and published promptly.

Rationale: Appointing the auditor, and approving the Annual Report are traditional Board prerogatives. The Annual Report should be published promptly.

Report reference: [Chapter 2.4\(a\)](#)

Recommended changes: Section 44(1) currently reads:

Within six months after the end of each financial year the Central Bank shall deliver to the Minister –

- (a) a report on the operations of the Central Bank during that financial year; and
- (b) audited financial statements for that financial year; and
- (c) the auditor’s report on those financial statements; and
- (d) a statement of the projected income and expenditure for the next financial year.

This should be a Board responsibility, and the Annual Report should be published in a timely manner. Therefore, ‘Within six months after the end of each financial year the Central Bank shall deliver to the Minister –’ should be replaced by ‘*Within six months after the end of each financial year the Central Bank Board shall deliver to the Minister and cause to be published on the Internet –*’

Section 47(1) reads:

The Central Bank may, from time to time, appoint one or more persons (whether as individuals or as the members from time to time of any firm or firms), being persons qualified for appointment as auditors of a company under the **Companies Act 1997**, to be the auditor or auditors of the Central Bank.

Since this should be a Board responsibility, replace ‘The Central Bank’ by ‘*The Central Bank Board*’.

[Recommendation 13](#): Establishment of Audit and Risk Committee, Governance Committee, and Budget and Investment Committee.

Recommendation: There should be three mandatory Board sub-committees, an Audit and Risk Committee, a Governance Committee, and a Budget and Investment Committee.

Rationale: While the Board should have the flexibility and autonomy to establish its own sub-committees, three sub-committees are of sufficient importance for their establishment to be mandated, namely an Audit and Risk Committee, a Governance Committee, and a Budget and Investment Committee.

Report reference: [Chapter 2.4\(b\)](#)

Recommended changes: We recommend the following new subsections be added to Section 34 (“Committees”) which empowers the Board to establish Committees and sets out the basic rules under which they are to operate. After the eight existing subsections would come:

(9) The Board shall establish an Audit and Risk Committee. The committee will, among other duties:

- (a) Assist the Board in its oversight of
 - (i) the integrity of the accounts and financial statements of the Bank;*
 - (ii) the effectiveness of the internal control system of the Bank;*
 - (iii) the performance of the internal audit function of the Bank;*
 - (iv) the compliance by the Bank with legal and regulatory requirements; and,*
 - (v) the review and management of risks.**
- (b) Appoint the auditor and review the audited accounts.*

(10) The Board shall establish a Governance Committee. The committee will, among other duties:

- (a) Recommend external members of the Monetary Policy Committee, and of the Board, and Board subcommittees.*
- (b) Assist the Board in reviewing and finalising the Annual Report.*
- (c) Assist the Board to –
 - (i) review and approve Bank corporate strategies;*
 - (ii) review Bank performance against benchmarks;*
 - (iii) review performance and assist with appointment of the Governor and Deputy Governors; and,*
 - (iv) oversee the promotion of and compliance with ethical and respectful behaviour among Bank staff, and the provision of safeguards to whistleblowers.**

(11) The Board shall establish a Budget and Investment Committee. The committee will, among other duties:

- (a) Examine and recommend to the Board the budget and operating plan of the*

Bank for approval.

(b) Assist the Board in overseeing the implementation of the budget and operating plan.

(c) Assist the Board in its oversight of the Bank's investments.

(12) In relation to the committees described in (9), (10) and (11):

(a) There will be a membership of at least three; and quorum of two.

(b) Meetings should be held least four times a year.

(c) Decisions are to be made via consensus, with disagreements to be recorded

(d) The Board shall appoint a chair for each committee from external Board members.

(e) At least two members who are not Bank employees shall sit on each Committee.

(13) All Board Committees can meet virtually.

Recommendation 14: Revamped Board membership

Recommendation: The size of the Board should be reduced to eight (and the quorum to five), with two Bank members, two members nominated by the Board, two nominated by the Minister, and two members nominated by neighbouring Central Bank governors. At least two Board members shall be women.

Rationale: The current Board is unwieldy, and its representative character unsatisfactory. Members should be nominated on the basis of merit, with limited ministerial discretion, and international experience should be sought out.

Report reference: [Chapter 2.4\(c\)](#)

Recommended changes: Section 27 deals with membership of the Board. Section 27(1) currently reads:

The Board shall consist of not less than nine and not more than 11 members.

We recommend that 'not less than nine and not more than 11 members' be replaced by 'eight'.

Section 27(2) currently reads:

The membership of the Board will comprise –

(a) the Governor, *ex officio*; and

(b) each Deputy Governor, *ex officio*; and

(c) up to three persons appointed by the Head of State, acting on advice, by notice in the National Gazette being from among persons of –

(i) good moral standing; and

(ii) generally recognized standing and professional experience in monetary and banking matters; and

(d) the following persons appointed by the Head of State, acting on advice, by

notice in the National Gazette:-

- (i) the person who is elected Head of the Papua New Guinea Council of Churches, *ex officio*; and
- (ii) the person holding the office of President of the Papua New Guinea Chamber of Commerce, *ex officio*; and
- (iii) the person holding the office of President of the Papua New Guinea Trade Union Congress, *ex officio*; and
- (iv) the person holding the office of President of the Papua New Guinea Institute of Accountants, *ex officio*; and
- (v) the person holding the office of Chairman of the Securities Commission in accordance with the Securities Act 1997, *ex officio*.

We recommend that clauses (b), (c) and (d) be revised, and new clauses added:

(b) one Deputy Governor, selected by the Governor, not the Deputy Governor on the Monetary Policy Committee if there is more than one Deputy Governor.

(c) two persons appointed by the Head of State, acting on advice, in consultation with the Board, by notice in the National Gazette being from among persons of (i) good moral standing; and (ii) generally recognized standing and professional experience; among whom at least one will be a woman;

(d) two persons appointed by the Head of State, acting on advice, on the recommendation of the Board, by notice in the National Gazette being from among persons of (i) good moral standing; and (ii) generally recognized standing and professional experience; among whom at least one will be a woman;

(e) two persons appointed by the Head of State, acting on advice, by notice in the National Gazette being from nominations made by regional Central Bank Governors, which Governors to be selected by the Board on the advice of the Governance Committee, being from among persons of (i) good moral standing; and (ii) generally recognized standing and professional experience; (iii) international experience in central banking; and (iv) not a resident of Papua New Guinea.

(f) With respect to the persons in (d) the Board shall, on the basis of the recommendations of the Board Governance Committee, make a recommendation to the Minister, and the Minister shall transmit that recommendation to the National Executive Council to advise the Head of State to appoint the candidate recommended by the Board.

(g) With respect to the persons in (e) the Board shall, on the basis of the recommendations made by regional Central Bank Governors, make a recommendation to the Minister, and the Minister shall transmit that recommendation to the National Executive Council to advise the Head of State to appoint the candidate recommended by the Board.

(h) With respect to the persons in (e), should a vacancy arise that cannot be filled in a timely manner by nomination of a regional Central Bank Governor, the Bank Board and the Minister shall agree on a person that meets the criteria in category (e) and the Minister shall transmit that recommendation to the National Executive Council to advise the Head of State to appoint the candidate recommended by the Board.

With the Board size reduced to eight, the quorum, currently six, also needs to be reduced.

Section 32(3) currently reads:

At meetings of the Board the quorum necessary for the transaction of business is six members, one of which must be the presiding member.

We recommend that ‘six members, one of which must be the presiding member’ be replaced by ‘five members, one of which must be the Chair or Deputy Chair’.

To facilitate the participation of non-resident Board members, virtual meetings need to be allowed for, as for the MPC (see [Recommendation 7](#)). Add a new clause Section 32(8):

Meetings can be held virtually.

There is a need for transitional arrangements. Under the Act, Section 112(3) reads:

The Board of the Central Bank under the repealed Act shall continue as the Board of the Central Bank re-established and continuing under this Act until such time as a new Board is selected in accordance with the provisions of this Act.

This clause is no longer applicable and could be deleted and replaced by:

The Board of the Central Bank shall continue until such time as a new Board quorum is selected in accordance and at the earliest possible time with the amended provisions of this Act.

[Recommendation 15: Terms of Board members](#)

Recommendation: Increase the term for external Board members from three to five years, and limit them to two terms.

Rationale: A term of five years is likely to lead to greater continuity and fewer vacant Board positions, which has been a problem in the past. At the same time, a two-term limit would ensure continued Board reform.

Report reference: [Chapter 2.4\(c\)](#)

Recommended changes: Section 28 on the term of office of Board members currently reads:

28. TERM OF OFFICE OF MEMBERS OF THE BOARD

(1) Members referred to in Section 27(2)(c) shall hold office for a term of three years.

(2) A member may at any time resign from office by notice in writing to the Governor.

(3) A member may be re-appointed to the Board.

In section 28(1), replace ‘three’ by ‘five’ and add ‘Section 27(2)(d) and Section 27(2)(e)’ after ‘Section 27(2)(c)’ (so that this covers off all three groups of external members – see

[Recommendation 14](#)). In Section 2(3), add ‘no more than once’ after ‘Board’ (to introduce a maximum of two terms).

A new clauses are needed under Section 28 on the transition (see also [Recommendation 14](#)):

(4) Other than ex officio members, the first time following the passage of this Amended Act that members are appointed to the Board by the Head of State, acting on advice, one appointed under Section 27(2)(c) will have a first term of two years, and one of five years, one appointed under 27(2)(d) will have a first term of three years, and one of four-and-a half years, and one appointed under 27(2)(e) will have a term of four years, and one of five years, to be decided by the Board Chair.

[Recommendation 16: Board independence](#)

Recommendation: Ensure that members of the Board are independent and not subject to direction or control.

Rationale: It needs to be explicitly stated that employees of entities regulated by BPNG and public servants should not be on the Bank Board or MPC. Board members also should not be subject to direction.

Report reference: [Chapter 2.4\(c\)](#)

Recommended changes: We recommend that the following subsection be added to Section 31(2) which places bars on certain categories of people becoming Board members (and, if [Recommendation 6](#) is adopted, MPC members):

(g) is an officer of an entity regulated by BPNG or works for a Government Department or Ministerial Office.

The Governor also should not be able to direct the Board. Section 32(1) currently reads:

The Board of the Central Bank shall meet as often as the business of the Central Bank requires at such times and places as the Board determines or as the Governor, or in his absence the Deputy Governor, directs, but in any event not less frequently than once every three months.

Delete ‘or as the Governor, or in his absence the Deputy Governor, directs’.

Board members should not be subject to outside direction. See [Recommendation 6](#) in this regard and reference to proposed new clause 27(4).

[Recommendation 17: Independent Chair](#)

Recommendation: The Board should select a Chair and Deputy Chair from among the external members. Since the Board exercises an oversight role, the Governor should not be the Chair.

Rationale: As per IMF advice, and to avoid conflicts of interest, since the Board is a supervisory one, the Governor should not be the Board Chair.

Report reference: [Chapters 2.1\(b\)](#) and [2.4\(d\)](#)

Recommended changes: Section 32 deals with Board meetings, and Section 32(2) currently reads:

At a meeting of the Board, the Governor, or in his absence a Deputy Governor designated by the Governor shall preside.

We recommend that this clause be replaced by the following:

(2a) The Board shall select a Chair and Deputy Chair from among those external members resident in Papua New Guinea.

(2b) At a meeting of the Board, the Chair, or in their absence the Deputy Chair shall preside.

Other roles and responsibilities of the Board Chair would be spelt out in the Board charter ([Recommendation 11](#)).

[Recommendation 18: Joint reporting by the Governor and the Board Chair](#)

Recommendation: The Governor and the Chair should jointly report to the Minister on Board meetings, summaries of which should be published.

Rationale: Since we have proposed that the roles of Governor and Board Chair be separated, the question arises as to who should report to the Minister on Board meetings. We propose that both should, and that a summary of each Board meeting should be published.

Report reference: [Chapter 2.4\(e\)](#)

Recommended changes: Section 26(2) currently reads:

The Governor shall submit every three months to the Minister a report on the proceedings and resolutions of the Board and the steps taken, if any, in consequence thereof.

We recommend that 'The Governor shall' be replaced by '*The Board Chair and the Governor shall jointly*'.

In addition, we recommend that the words be added '*A summary report shall be published on the BPNG website within three months.*'

Recommendation 19: Recognition of the authority of the Governor, the Board and the MPC

Recommendation: The authority of the Bank be divided between the Governor, the Board and the Monetary Policy Committee, rather than given only to the former.

Rationale: Section 16(2) currently gives authority to the Governor to exercise the Central Bank's powers. A more collegial, balanced and accountable approach would be to divide those powers between the Governor, the Board, and the Monetary Policy Committee.

Report reference: [Chapters 2.1, 2.3](#) and [2.4](#)

Recommended changes: Section 16(2) gives authority to the Governor under the Act:

The Governor has the authority to exercise the Central Bank's powers for the purposes of achieving the objectives and functions of this Act and implementing the policies of the Central Bank.

We recommend that 'The Governor has the authority to exercise' be replaced by '*The Governor, the Board and the Monetary Policy Committee have the authority as defined in this Act to exercise*'.

Recommendation 20: Treasury Observer on MPC and Board

Recommendation: There should be a Treasury observer on the Monetary Policy Committee and on the Board.

Rationale: To promote the flow of information between the Bank and the Treasury, we propose that there be a non-voting Treasury observer on the Monetary Policy Committee and on the Bank Board.

Report reference: [Chapter 2.5\(b\)](#)

Recommended changes: Section 14 currently reads:

14. LIAISON BETWEEN THE CENTRAL BANK AND THE DEPARTMENT RESPONSIBLE FOR TREASURY MATTERS

The Central Bank and the Department responsible for treasury and finance matters shall keep each other fully informed of all matters that concern the Central Bank and the Department jointly.

Since separate departments are now responsible for treasury and finance, delete 'and finance'. Make the above 14 (1) and add a new Section 14(2) for the MPC Observer:

There shall be a Departmental Observer on the Monetary Policy Committee.
(a) The Secretary to the Department responsible for treasury matters must ensure that the Secretary, a Deputy Secretary or First Assistant Secretary to that Department is nominated to be the Departmental Observer.

(b) The Departmental Observer has the same rights to attend and speak at a meeting of the Monetary Policy Committee as a member but has no right to vote on any question before the Monetary Policy Committee and is not subject to the duties that apply to members.

(c) The nomination must be made by written notice to the Bank Governor (with a copy to the officer or employee if it is a person other than the Secretary to the Department).

(d) The Departmental Observer must perform that role subject to any conditions that are agreed by the Departmental Secretary and the Governor, including matters relating to confidentiality and avoiding conflicts of interest.

(e) Those conditions remain in effect until the Departmental Secretary and the Governor agree to amend the conditions (regardless of changes to the person who holds any office or role).

(f) The Departmental Secretary may, at any time and entirely at the Secretary's discretion, replace the Departmental Observer by giving written notice to the chairperson.

(g) The function of the Departmental Observer is to —

(i) support decision making by the Monetary Policy Committee (for example, by sharing information on fiscal policy);

(ii) facilitate the co-ordination of monetary and fiscal policy; and

(iii) carry out any other function agreed between the Governor and the Departmental Secretary.

Likewise, add a new Section 14(3) for the Board Departmental Observer:

There shall be a Departmental Board Observer on the Bank Board.

(a) The Secretary to the Department responsible for treasury matters must ensure that the Secretary, a Deputy Secretary or First Assistant Secretary to that Department is nominated to be the Departmental Board Observer.

(b) The Departmental Board Observer has the same rights to attend and speak at a meeting of the Board as a member but has no right to vote on any question before the Board and is not subject to the duties that apply to Board members.

(c) The nomination must be made by written notice to the Bank Governor (with a copy to the officer or employee if it is a person other than the Secretary to the Department).

(d) The Departmental Board Observer must perform that role subject to any conditions that are agreed by the Departmental Secretary and the Governor, including matters relating to confidentiality and avoiding conflicts of interest.

(e) Those conditions remain in effect until the Departmental Secretary and the Governor agree to amend the conditions (regardless of changes to the person who holds any office or role).

(f) The Departmental Secretary may, at any time and entirely at the Secretary's discretion, replace the Departmental Board Observer by giving written notice to the chairperson.

(g) The function of the Departmental Board Observer is to facilitate the flow of information between the Bank and the Department responsible for treasury matters.

Recommendation 21: Additional information sharing provisions

Recommendation: To improve Bank-Government collaboration and information flows, Treasury should be formally recognised as assisting the Treasurer to carry out his or her role in relation to the Bank. The Bank should be under an obligation to keep the Minister informed of its policies, and the Minister should be able to request and receive information from the Bank in a reasonable time period.

Rationale: These are all measures adopted by other jurisdictions to improve the flow of information and collaboration, without threat to Central Bank independence.

Report reference: [Chapter 2.5\(b\)](#)

Recommended changes: Add further clauses to Section 14 on Bank-Treasury relations:

(4) The Bank shall keep the Minister informed of policies relating to its objectives.

(5) The Bank must supply to the Minister any reports or other information relating to the performance of its duties that the Minister requests.

(6) The reports or information must be supplied at the time and in the manner reasonably required by the Minister.

(7) The Department responsible for treasury matters shall assist the Minister in carrying out the Minister's role.

Recommendation 22: Introduction of dispute resolution mechanism

Recommendation: An explicit dispute-resolution mechanism should be introduced.

Rationale: It is not feasible, given data difficulties and the volatility of the PNG economy, for the Government to issue BPNG with an explicit policy charter, say with quantified objectives. What if the Government and BPNG disagree on the relative weights that should be given to the Bank's objectives? A better path is to introduce an explicit dispute-resolution mechanism when disagreements cannot be resolved. We propose the model used in Malaysia and Australia be utilised.

Report reference: [Chapter 2.5\(c\)](#)

Recommended changes: We recommend a new Section 14A along the following lines:⁹³

14A ISSUES OF POLICY

(1) In the event of a difference of opinion between the Minister and the Governor relating to the Bank's pursuit of its objectives, the Minister and the Governor shall

⁹³ The Malaysian clauses refer to the Board, but in PNG's case we think reference to the Governor is more appropriate.

endeavour to reach an agreement.

(2) If the Minister and the Governor are unable to reach an agreement, the Governor shall furnish to the Minister a statement in relation to the matter in respect of which the difference of opinion has arisen.

(3) The Minister shall then submit a recommendation together with the statement furnished by the Governor under subsection (2) to the National Executive Council.

(4) Acting on the recommendation of the Minister and the statement furnished by the Governor, the National Executive Council may determine the policy to be adopted by the Bank, which must not be inconsistent with anything in this Act.

(5) The Minister shall inform the Governor of the policy as determined under subsection (4) and that the Government accepts responsibility for the policy.

(6) The Bank shall then give effect to the policy as determined under subsection (4).

(7) If the Governor objects to the policy as determined under subsection (4), the Bank may submit its objections and reasons therefor in writing to the Minister who shall cause the same together with the policy as determined under subsection (4) to be immediately published, and to be laid before the Parliament, or, if Parliament is not then sitting, at the sitting of the following meeting of Parliament.

Recommendation 23: Improving transparency

Recommendation: Measures should be introduced to improve transparency and stakeholder discourse.

Rationale: There is a worldwide trend to greater transparency among central banks, which PNG should be part of. The circumstances within Papua New Guinea requires public face-to-face discourse to promote understanding and participation in public policy making and implementation, especially in monetary policy. This also provides the opportunity for BPNG to demonstrate what “advantage... the people of Papua New Guinea” (Section 7) have gained from the Bank’s policies and performance.

Report reference: [Chapter 2.6](#)

Recommended changes: Several changes to promote transparency have already been included under other reforms including provision for the Bank’s annual report to be published promptly on its website (Recommendation 12) and for MPC meeting reports to be included in the MPS (Recommendation 8).

Under Section 11(3), the MPS is to be delivered to the Minister and published in the National Gazette. It currently reads as follows:

The Governor shall –

- (a) deliver to the Minister; and
 - (b) cause to be published in the National Gazette
- each policy statement issued under Subsection (1).

In addition, and reflecting current practice and the need for greater stakeholder understanding and engagement, two new clauses should be added before 'each policy statement' relating to publication and engagement, as follows:

- (c) cause to be published on the Internet; and*
- (d) promote informed stakeholder discourse and engagement in relation to*

Publication requirements should apply not only to the MPS but also to the five-year statement ([Recommendation 9](#)). Therefore also under Section (3) above, after 'Subsection (1)', add '*and Subsection (4)*', which, as per [Recommendation 9](#), requires five-year statements to be produced.

For publication of a summary of each BPNG Board meeting, see [Recommendation 18](#) with reference to Section 26(2).

Finally, the timely release of economic data is an important function of BPNG and should be a legislative requirement. We propose a new Section 26(3):

The Bank is required to publish via the Internet economic data in a comprehensive and timely manner.

7.3 Financing ([Chapter 3](#))

[Recommendation 24](#): Temporary Advance Facility (TAF) clarifications

Recommendation: The Temporary Advance Facility (TAF) should be defined in relation to revenue net of aid; the interest rate that applies to the TAF should be clarified; TAF repayments should be made within the year; compliant TAF requests should be heeded; and a provision should be introduced to ban further TAF allocations if outstanding TAF amounts are not paid on time and in full.

Rationale: While the TAF arrangements have recently been reformed by an amendment to the Central Banking Act in 2020, various matters require clarification to avoid dispute and ensure fiscal discipline.

Report reference: [Chapter 3.1](#)

Recommended changes: Section 55(4) reads, after the recent amendment:

- (a) shall not at any time exceed 12 percent of the annual average total revenue and grants receipts (including donor grants but not including once off asset sales or their equivalent) averaged over the previous three years to the year in which advances are sought.

(b) shall be repaid to the Central Bank as soon as practicable, but in any case, not later than twelve months from the date of the advance.

We recommend that in (a) 'including donor grants but' be replaced by '*excluding donor grants and*'. We recommend that in (b) 'not later than twelve months from the date of the advance' be replaced by '*no later than the end of the financial year*'.

Section 55(2), as recently amended, states that:

The Central Bank may grant temporary advances to the Government in respect of temporary deficiencies of revenue due to cash flow mismatches at an interest rate or rates no less favourable than the prevailing rates payable by the Government on Treasury Bills or notes, or securities issues by the Government.

We recommend that 'may' be replaced by '*will*', 'no less' be replaced by '*no more and no less*' and 'prevailing rates' be replaced by '*prevailing comparable rates*'.

We also recommend a clause be added so that if the TAF is not repaid in full and on time then no further TAF will be extended. Noting that clause 55(3) has been recently deleted, this could become a new clause (3):

If after that that date on which repayment of advances is due any such financing remains outstanding, the power of the Bank to extend further advances shall not be exercisable unless and until the outstanding financing has been repaid.

Recommendation 25: Limit on Central Bank holdings of government securities

Recommendation: We propose a limit on BPNG holdings of government securities of 20% of revenue minus aid, averaged over the last three years.

Rationale: The current wording of Section 55 is ambiguous and introduces a loophole for unlimited financing of the government deficit. Rather than banning all Bank purchases of government securities altogether, we propose a transparent and clear limit on such purchases.

Report reference: [Chapter 3.3](#)

Recommended changes: Sections 55(8) and (9) currently read:

(8) The Central Bank may, for purposes of monetary policy management, purchase treasury bills or notes, or securities, issued by the Government at market determined yields and such treasury bills, notes or securities will be excluded for the purposes of determining aggregate outstanding advances pursuant to Subsection (4).

(9) Notwithstanding anything to the contrary contained in this section, the Central Bank shall not grant advances to the Government in respect of, or for the purpose of funding, a Government fiscal deficit.

We recommend that these two subsections be replaced by the following:

(8) The Central Bank may, in the pursuit of its objectives, purchase and sell in the most economical way possible treasury bills or notes or securities issued by the Government at market-determined yields. Central Bank holdings of treasury bills, notes or securities excluding the outstanding temporary advance under Section (2) may not exceed 20 percent of revenue (excluding foreign aid, loans and one-off asset sales) averaged over the last three years. After that date on which repayment of securities is due, the power of the Bank to purchase further securities shall not be exercisable unless and until the outstanding financing has been repaid.

The last sentence punishes the Government in the event of non-repayment.

7.4 Managing national economic crises ([Chapter 4](#))

Recommendation 26: Preparation for emergencies

Recommendation: Include a provision which allows for amendment of the limit on central bank financing through the use of an Emergency Law when a national emergency is declared for the whole of PNG. Also provide for decision making in an emergency.

Rationale: In the time of a national emergency, PNG should have the option of increasing, on a temporary basis, BPNG's capacity to provide financing to the Government. With the proposed creation of the MPC, explicit provisions are needed to authorise decisions in an emergency.

Report reference: [Chapter 4.2](#)

Recommended changes: We recommend two new clauses be added to follow Section 55(8), as revised under Recommendation 25 above, namely:

(9) If a national emergency is declared for the whole of Papua New Guinea, the limit on Central Bank holdings of government securities defined in (8) above may be increased from 20 percent to 30 percent for the duration of the national emergency if provision for this is made in an Emergency Act subsequent to the declaration of the national emergency.

(10) If such an increase is made during a national emergency, the old limit must be adhered to within one year of the ending of the national emergency.

Procedures are needed for the MPC in the case of an emergency, where very quick decisions are needed. We propose that the arrangements put in place under the Reserve Bank of New Zealand Act be used, as follows, under a new section:

10C. MONETARY POLICY COMMITTEE EMERGENCY PROCEDURES

(1) Despite the lack of a quorum, the Chair and other members of the Monetary Policy Committee that are available (if any) may make any decision on behalf of the Monetary

Policy Committee or perform or exercise any other function, power, or duty of the Monetary Policy Committee if the Chair is satisfied that –

- (a) exceptional circumstances exist; and*
 - (b) an urgent action is necessary to prevent, correct, or mitigate harm to the economy; and*
 - (c) despite the use of all reasonable means available, other members of the Monetary Policy Committee have not been able to be contacted on the matter or are unable to fully participate in dealing with the matter; and*
 - (d) action on the matter is required before a quorum will be able to be obtained.*
- (2) If a decision is made or other thing is done under this clause –*
- (a) the Chair must make a record of –*
 - (i) the Chair's reasons for being satisfied of the matters referred to in (1); and*
 - (ii) the decision or thing; and*
 - (b) the Chair must, as soon as practicable, provide a copy of that record to –*
 - (i) the Minister; and*
 - (ii) the Board; and*
 - (iii) the members of the Monetary Policy Committee that were not available when the decision was made or the other thing was done.*

7.5 Objectives ([Chapter 5](#))

[Recommendation 27: Balanced objectives](#)

Recommendation: Bearing in mind the Bank's responsibility for monetary policy extends to the exchange rate regime and the impact of its monetary policy on government financing, render its objectives in a more balanced way.

Rationale: BPNG's responsibility for monetary policy includes its responsibility for both the formulation and implementation of exchange rate policy under Section 58. Implementation of monetary policy also has major implications for government financing. A narrowly defined price stability mandate is unsuitable for a Central Bank with such a wide-ranging role in the economy.

Report reference: [Chapters 5.1](#), [5.2](#) and [5.3](#)

Recommended changes: Section 7 currently reads:

7. OBJECTIVES OF THE CENTRAL BANK

For the advantage of the people of Papua New Guinea, the objectives of the Central Bank are:

- (a) to formulate and implement monetary policy with a view to achieving and maintaining price stability; and
- (b) to formulate financial regulation and prudential standards to ensure stability of the financial system in Papua New Guinea; and
- (c) to promote an efficient national and international payments system; and
- (d) subject to the above, to promote macro-economic stability and economic

growth in Papua New Guinea.

We propose that clause (d) be dropped and clause (a) be replaced by:

to formulate and implement monetary policy with a view to achieving and maintaining price stability and *promoting employment and economic growth, especially of the non-mineral non-petroleum sector*; and

Note we use the term '*non-mineral non-petroleum*' rather than '*non-resource*' as this is more widely used in PNG.

Recommendation 28: Financial system development and stability

Recommendation: Require the Bank to promote financial system development as well as stability.

Rationale: PNG's financial system is stable, but underdeveloped. High lending rates and limited credit access are a constraint on growth. As regulator of the financial system, BPNG needs to pay due attention both to the stability of the financial system and its development.

Report reference: [Chapter 5.4](#)

Recommended changes: BPNG's objective regarding the financial sector is given in Section 7(b) which currently reads:

to formulate financial regulation and prudential standards to ensure stability of the financial system in Papua New Guinea

We propose that 'stability' be replaced by '*stability and development*'.

Recommendation 29: Banking services

Recommendation: An objective be added that corresponds to BPNG's role as provider of banking services to the Government.

Rationale: The provision of banking services is an important function that the Bank of Papua New Guinea provides to the Government. Just as in carrying out its payments function, BPNG is required to promote an efficient payments system (Section 7(c)), so in carrying out its banking function, BPNG should be required to provide efficient and responsive banking services.

Report reference: [Chapter 5.5](#)

Recommended changes: An additional objective be added to Section 7, that is, a new (d) (since the old (d) would be dropped – see [Recommendation 27](#) above), namely:

to provide efficient and responsive banking services to the Government.

Recommendation 30: Avoidance of confusion regarding objectives

Recommendation: Ensure that the objectives of the Bank are only stated once.

Rationale: Objectives should just be articulated in one place, rather than three as per the current Act to avoid any possible conflict or ambiguity.

Report reference: [Chapter 5](#).

Recommended changes: Amendments to Section 10(1) and Section 11(1) regarding the objectives of monetary policy have already been proposed so that they refer to the objectives as stated in Section 7(a). See [Recommendations 3](#) and [8](#). No further changes are needed.

Recommendation 31: Current account convertibility

Recommendation: Mandate current account convertibility from 2023 onwards.

Rationale: Current account convertibility – including the ability of importers to get foreign exchange to pay for their imports – was, until 2014, a foundation of PNG economic policy, and is a globally accepted norm. Lack of current account convertibility (foreign exchange rationing) imposes high economic costs and encourages fiscal profligacy. To avoid prolonged deviations from non-convertibility in the future, we recommend that convertibility be legislated for with provisions for its authorised, temporary suspension if there is a balance-of-payments crisis. Since it cannot be introduced immediately, a start date is needed. We propose the start of 2023.

Report reference: [Chapter 5.1](#)

Recommended changes: Section 58 currently reads:

58. OFFICIAL VALUE OF MONETARY UNIT.

The official value of the monetary unit in terms of other currencies may be determined by the Governor acting on, and in accordance with, policy statements issued pursuant to Section 11 and to achieve the objects of the Central Bank under this Act.

We recommend that this clause be retained as Section 58(a), and that a new clause 58(b) be added to ensure that the Kina is convertible on the current account:⁹⁴

Starting 1 January 2023, the Central Bank shall not impose, except in case of a balance-of-payments crisis, restrictions on the making of payments and transfers for current international transactions. If, in a balance-of-payments crisis, restrictions on convertibility need to be imposed, the imposition and retention of such restrictions

⁹⁴ This wording reflects that of Article VIII of the IMF Articles of Agreement to which PNG has been subscribed since 1975, Article VIII reads: “Subject to the provisions of Article VII, Section 3(b) and Article XIV, Section 2, no member shall, without the approval of the Fund, impose restrictions on the making of payments and transfers for current international transactions.” Article VII, Section 3(b) provides for the Fund to declare a currency as scarce, and this provides a justification for the imposition of limitations on the freedom of exchange. Article XIV allows for transitional arrangements for countries that have applied to use them (PNG has not).

must be authorised by the Monetary Policy Committee, if necessary using the emergency procedures of Section 10C, publicised, and kept in place for the shortest time possible.