



**REVIEW OF THE PNG CENTRAL BANKING ACT 2000  
STATEMENT FROM THE INDEPENDENT ADVISORY GROUP (IAG)**

**OPPORTUNITY TO STRENGTHEN  
THE BANK OF PAPUA NEW GUINEA**

***“A second round of reforms is now needed, and could have the same transformational impact once again”***

The Independent Advisory Group (IAG), appointed by the Treasurer Hon Ian Ling-Stuckey MP to review the Central Banking Act 2000, formally presented today to the Minister its Phase I Report.

The Report addresses the Terms of Reference issued by the Minister for Treasury on 13<sup>th</sup> 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. The report includes thirty-one recommendations in core areas.

The Independent Advisory Group was commissioned by the Minister for Treasury to review the Central Banking Act 2000. It’s chair is former Chief Secretary to Government, Mr Robert Igara, and its two other members are former Governor Sir Wilson Kamit and ANU Professor of Economics Stephen Howes.

Handing over the report to the Minister for Treasury, the IAG Chair Mr Robert Igara said that the review was timely, and that the report rested on three strategic considerations. “First, international best practice has changed, and PNG needs to change with it. Second, 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, third, a holistic view is required given the Bank’s role in setting monetary policy, exchange rate policy, government financing and banking, and financial regulation.”

Mr Igara commented that “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 IAG Chair concluded that “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.”

The thirty-one recommendations of the report cover a wide range of areas. Some of the key reforms are summarised below:

- In line with international practice, monetary policy should be set by a Monetary Policy Committee with legislative mandate, chaired by the Governor of the Bank of PNG, and have both internal and independent external members.
- The Bank’s Board be given greater oversight of BPNG operations to enhance accountability.
- Board (and MPC) membership selection criteria should be improved to strengthen Bank independence and capability.
- A range of reforms are proposed to increase transparency.
- Teamwork between BPNG and Treasury should be strengthened, without compromising on independence of the Bank of PNG.
- Clear limits on Government’s deficit financing by the Bank of PNG is needed to prevent a repeat of the “slack arrangement” financing excesses seen in earlier years.
- Given Papua New Guinea’s economic challenges, and Bank of PNG’s crucial role in the economy, its objectives need to be balanced: price stability is important, but so too is economic growth and jobs.
- There should be a return to the time-honoured PNG economic policy principle of “Kina convertibility” as soon as possible to promote investment and jobs.

The full report as well as the Executive Summary can be found on the IAG’s website: <https://pngcentralbankactiag.org/>.



**Robert Igara**  
**Chair – Independent Advisory Group**  
**PNG Central Banking Act 2000 Review**

11<sup>th</sup> November 2021