



Department of Treasury and Bank of Papua New Guinea Joint Sovereign Wealth Fund Working Group

This advertisement from the Department of Treasury and Bank of Papua New Guinea (BPNG) serves to inform the key government stakeholders, non-government organisations, businesses, development partners and the general public about the establishment of the Department of Treasury and Bank of Papua New Guinea Joint Sovereign Wealth Fund Working Group.

In March 2010, the National Executive Council (NEC) directed the Department of Treasury and BPNG to establish a Joint Working Group to further examine the management of windfall revenue arising from the LNG Project for its consideration.

The Joint Working Group is chaired by the Department of Treasury Deputy Secretary for Economic and Financial Policy, Mr. Anthony Yaueib, and will be assisted by Deputy Governor, Mr. Benny Popoitai.

The Joint Working Group is required to report back to NEC by 30 June 2010 and is guided by the following Terms of Reference:

Department of Treasury and Bank of Papua New Guinea Sovereign Wealth Fund Working Group Terms of Reference

1. The development of the Papua New Guinea Liquefied Natural Gas (PNG LNG) project, and the prospect of others, has the potential to transform PNG's economy and improve the standard of living of all Papua New Guineans.
2. In light of the substantial future revenues arising from LNG, it will be important that PNG has robust, transparent and effective arrangements in place to manage this revenue.
3. The National Executive Council (NEC) has established a joint Treasury-BPNG working group to:
 - a. Assess the appropriateness of the current framework;
 - b. Seek feedback from international institutions (including the IMF, World Bank and ADB) and other appropriate Governments;
 - c. Canvass possible options for Government consideration, including the possible creation of an offshore fund to manage windfall revenues arising from the PNG LNG project; and
 - d. Report back to NEC by 30 June 2010.
4. The working group will consult with, and seek input from, PNG Government agencies and relevant domestic and international stakeholders as needed.
5. The working group will be led by Deputy Secretary Economic and Financial Policy, Department of Treasury (Chairman) and the Deputy Governor of the Bank of Papua New Guinea with representatives from both the Department of Treasury and the Bank of Papua New Guinea, drawing on other PNG Government agencies and international organisations as appropriate.
6. The working group will provide regular updates to the Departmental Economic Sectoral Committee, Ministerial Economic Sectoral Committee and NEC.
7. In assessing the appropriateness of the current framework, the working group will examine issues associated with the establishment and operation of an onshore fund versus an offshore fund, whilst taking into account and making recommendations on wider macroeconomic issues, including the operation of monetary and exchange rate policies and fiscal policy, including the absorptive capacity of the PNG economy.
8. In considering the appropriate design of a fund, the working group will take into account and make recommendations on:
 - a. International best practice in the establishment and operation of such funds, with specific reference to the Sovereign Wealth Fund Generally Accepted Principles and Practices (Santiago Principles).
 - b. Operational rules for a fund, including principles for deposit and withdrawal of resources, investment strategy and asset and risk management
 - c. Transparency and accountability mechanisms, including legal, institutional, management, governance and disclosure arrangements for a fund.
 - d. Integration of a fund into the wider fiscal framework and identification of the need to modify existing arrangements as needed.
 - e. Consideration of the location of a fund and any related currency denomination issues.
9. In making these recommendations, the working group should make recommendations on the timing for establishing a fund as well as taking into account the Government's long term vision and development strategy and other relevant plans and policies.

As outlined in the Terms of Reference, the Joint Working Group will consult with, and seek input from, PNG Government agencies and a wide range of domestic and international stakeholders. The Joint Working Group is currently finalising its work program but will contact key stakeholders directly to seek their input and comment. The Working Group also plans on holding workshops for domestic and international stakeholders in Port Moresby in mid-late May 2010.

Ahead of these formal consultations, any stakeholder, organisation or individual who wishes to make an unsolicited submission to the Joint Working Group, is invited to forward a submission by no later than 30th April 2010 to:

Secretariat
Joint Sovereign Wealth Fund Working Group
Bank of Papua New Guinea
To Robert Haus
PO Box 121, Port Moresby

For further information, please contact Mr. Sali David (BPNG) on 322 7430 or Mr. Andrew Oaeke (Treasury) on 312 8822.

Mr. Simon Tosali
Acting Secretary
Department of Treasury

Mr. Loi Bakani
Governor
Bank of Papua New Guinea