A Sovereign Wealth Fund for all PNG

Introduction

This Public Information Paper was produced by the Government of Papua New Guinea to provide information on the Sovereign Wealth Fund (SWF) of Papua New Guinea. The SWF is an offshoot of the Government's constitutional reforms which have been progressing since 2009, and its establishment is now being pursued with the Constitutional Amendment in February 2012. Any surplus funds in the foreign currency account will be invested in resources allocated to the SWF. The Constitutional Amendment will be introduced and discussed in Parliament in March 2012 to develop the enabling Acts of Parliament and Regulations for the SWF Organic Law and to set up the Administrative structures to fully establish and manage the SWF. In addition, policy work is progressing on:

1. A Kiina Savings Account and Sovereign Wealth Fund

a. Personal Kiina Savings Account

If you are a citizen of Papua New Guinea, you can deposit your income into a savings account in Kiina which is domiciled in Kiina. The government will also be able to withdraw funds from the Kiina account and invest in foreign currency for the benefit of the PNG economy. This will allow the government to earn a substantial return on its investment, which can be used to fund important projects or programs.

b. Public Kiina Savings Account

The government also operates a Kiina account (Wagi) for the saving of Kiina in the Kiina Savings Account (Central Bank). Company accounts and public debt are also denominated in Kiina and other tax revenues are deposited into the account, which is used for the government's operations. The Kiina Savings Account provides savings accounts for both businesses and individuals, and its interest rate is set by the government. The Kiina Savings Account is managed by the Department of Prime Minister and National Planning and Monitoring and the Department of Justice and Attorney General.

c. Investments Outside Papua New Guinea

Any surplus funds in the foreign currency account must be invested overseas. The government will use a portion of the Kiina account to invest in foreign assets. The government may also invest in foreign currencies to hedge against exchange risk.

5. Reasons for Investing Overseas

a. Inflation and Value of the Kiina

When large sums of money from the PNG LNG project are invested in foreign currencies, there is a risk that the value of the Kiina may decline. However, if the government invests in foreign currencies, it will be able to earn a higher return on its investment. The government will use a portion of the Kiina account to invest in foreign currencies to hedge against exchange risk.

b. Exchange Rate

When large sums of money in foreign currency flow into PNG, there is a risk that the value of the Kiina may decline. However, if the government invests in foreign currencies, it will be able to earn a higher return on its investment. The government will use a portion of the Kiina account to invest in foreign currencies to hedge against exchange risk.

c. Government Sovereign Wealth Fund Investments Abroad

a. Government

The government will establish the Minister for the Department of Treasury (DoT), who will be responsible for managing the government's sovereign wealth fund. The DoT will be responsible for managing the Kiina Savings Account and will also be responsible for investing in foreign currencies. The DoT will ensure that the Kiina Savings Account is managed in accordance with best international practices.

b. SWF Board

The SWF will be managed by an independent Board of the Treasury. All directors on the Board will be appointed by the Treasury. The Board will be responsible for setting the investment strategy of the SWF and for ensuring that the SWF is managed in accordance with best international practices.

c. Role of Department of Treasury and the Minister

The Department of Treasury will manage the SWF and will be responsible for setting the investment strategy of the SWF. The Department of Treasury will ensure that the SWF is managed in accordance with best international practices.

d. Better Public Funds Management

The creation of a SWF provides an opportunity for PNG to better manage its foreign currency inflows. This will also enable the government to withdraw foreign currency inflows from SWF and help the government fund additional projects.

3. Sovereign Wealth Fund Design

a. Ownership, Administration and Spending

The offshore foreign currency account will be owned by the Treasury and managed by the Department of Prime Minister and National Planning and Monitoring.

b. National Budget

The government will establish a budget for the SWF that will be funded by the government's foreign currency inflows. The government will also establish a budget for the SWF that will be funded by the government's foreign currency inflows.

c. Investments Outside Papua New Guinea

The government will invest the SWF in foreign currencies that are deemed to be sound and liquid. The government will also invest in foreign currencies that are deemed to be sound and liquid.

d. Secretariat to the SWF Board

The Secretariat will operate the daily operations of the SWF. The Secretariat will provide information on investment opportunities to the SWF.

3. Sovereign Wealth Fund Design

a. Sovereignty

The government will establish the SWF to ensure that the country's sovereignty is protected. The government will also establish the SWF to ensure that the country's sovereignty is protected.

b. Market Access

The government will establish the SWF to ensure that the country's financial markets are accessible. The government will also establish the SWF to ensure that the country's financial markets are accessible.

c. Economic Development

The government will establish the SWF to ensure that the country's economic development is supported. The government will also establish the SWF to ensure that the country's economic development is supported.

4. Management of Sovereign Wealth Fund Investments Abroad

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