



VISION 2050

Bank of Papua New Guinea



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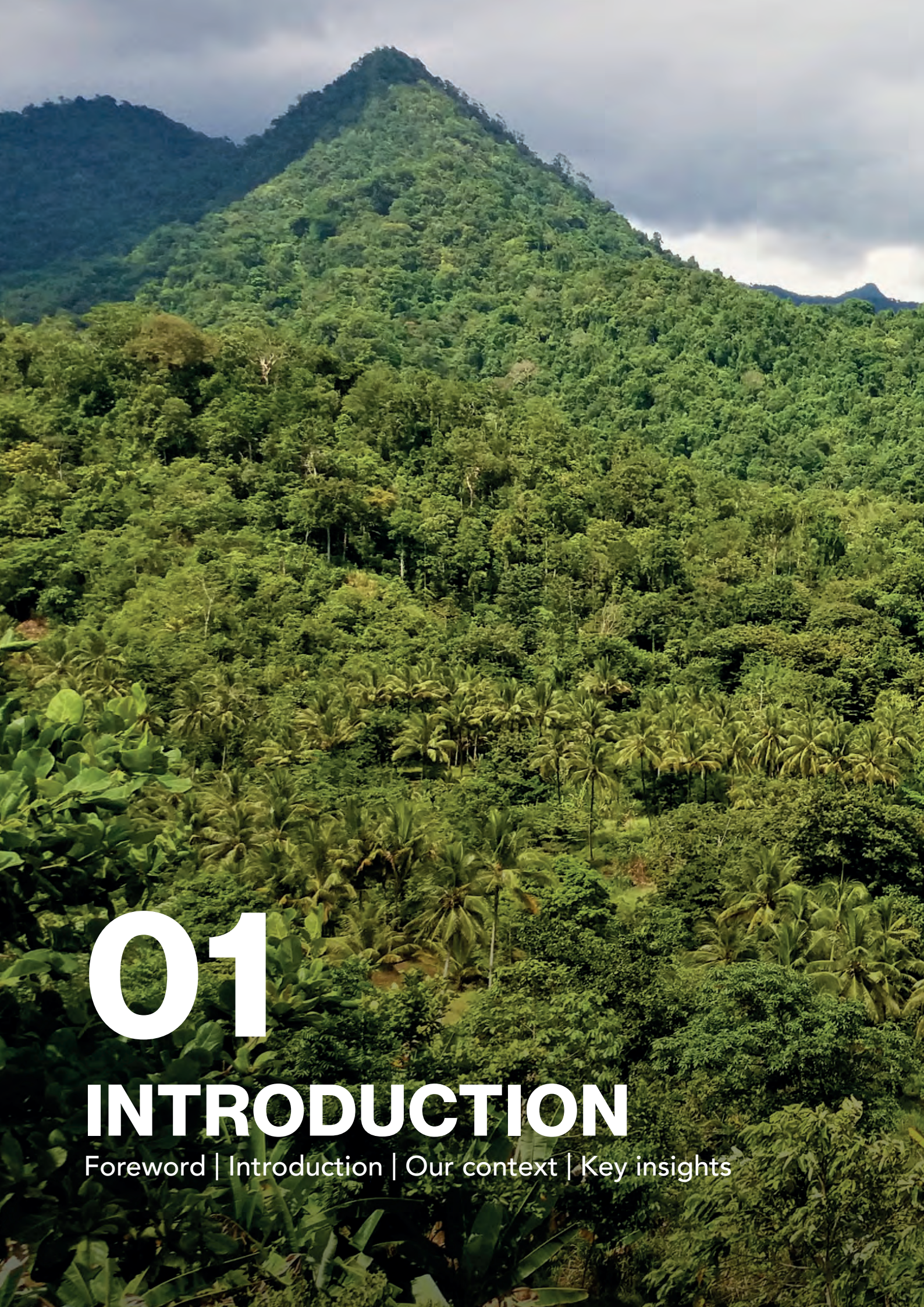
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INTRODUCTION

Foreword | Introduction | Our context | Key insights

Chairman's Foreword

In May of this year, the Board and I had the privilege of joining with management to set out the Bank of Papua New Guinea's (BPNG) vision for 2050. We cast our minds forward to 2050, a distant future horizon to rethink what the people of Papua New Guinea (PNG) need from us as a central bank in a changing, fast paced world. We reimagined what we could achieve and enable for our developing country.

We talked at some length about the barriers Papua New Guineans face accessing and benefiting from the financial system and what role the Bank plays in this.

We considered, as a group, our mandate as the custodian of the financial system. Crucially, we asked, how price stability and the development of the financial system, can improve the lives of all Papua New Guineans?

I am pleased to deliver the Bank of Papua New Guinea's vision for the future:

I see this vision as an important continuation of the development process first initiated when the Bank was established in 1973, some 50 years ago, in preparation for Papua New Guinea's independence in 1975.

Vision 2050 outlines the critical role the Bank plays in enabling the social and the economic transformation of Papua New Guinea. As reflected in the vision, our approach is above all focused on how the Bank is going to make life better for all Papua New Guineans.

Our vision for 2050 is obviously ambitious. Transformation of the economy is not something that the Bank alone can achieve or be responsible for. Accordingly, the vision will require close working relationships with our government partners and other stakeholders.

I anticipate that we will continue to face significant challenges and from time to time, difficult operating conditions in our environment as we progress to 2050.

**“ Economic opportunities
for all Papua New
Guineans**

”

For example, cyber security threats, the emergence of new technologies, including blockchain and digital currencies, artificial intelligence and real time data will continue to feature prominently in our technology context. These factors will present both challenges and opportunities that the bank must be capable of and prepared to respond to.

I expect the PNG economy to continue to be impacted by climate change and geopolitical tensions around the world and other international events and developments.

In addition, at the time of writing this strategy, the IAG review of the Bank is still underway, and we are presently engaging with the International Monetary Fund (IMF) on behalf of the Government.

With the prospect of these conditions and challenges, I am mindful of the Bank's mandate to target monetary (price) stability while contributing to economic growth and maximising employment (particularly in the non-extractive industries), and developing, maintaining and promoting a sound financial system.

I take confidence from the way the Bank responded to recent challenges posed by events like the COVID-19 pandemic. The Board and I remain committed to the idea that if we have absolute clarity about our identity and purpose, then we will be well placed to navigate our way through these challenges and deliver on our 2050 vision. However, we also recognise that this will require an agile and very capable central bank.

Accordingly, we will continue to invest in the modernisation of the Bank so that we have the necessary ways of working and capability to achieve our vision and support the economic transformation of PNG.

Attracting and keeping the talent we need to be successful, and ensuring the sustainability of our operations will feature prominently in our approach.

I am pleased to present this strategy and look forward to engaging closely with our key partners – Government, businesses and the people of Papua New Guinea, to successfully deliver it.



David Toua, OBE

Board Chair, Bank of Papua New Guinea

30 July 2023



Introduction from the Acting Governor

As the Acting Governor for the Bank of Papua New Guinea it is my pleasure to introduce the Bank's Vision 2050. I was excited to participate in the strategy development process and the rigorous discussions amongst the Board and management team, around the ambition and strategic direction we are charting for ourselves, out to 2050.

The recent amendments to the Central Banking Act require a different working relationship between the Bank's Board and management team. The strategic planning process provided an important opportunity to further strengthen the new close working relationship. I believe the effectiveness of that relationship has been a key factor contributing to the successful development of this important long-term strategy.

This strategy lifts our organisational focus out to the distant strategic horizon of 2050. It prompts us to think beyond the day-to-day operations to the bigger more aspirational picture. It frames the critical contribution that we, as the central bank of PNG will make to our developing nation and its citizens.

However, before commenting about the Bank's aspirations for the future, I think it is important to acknowledge the achievements of the Bank over the past decade and recognise the wonderful contributions of the dedicated staff that have worked for the Bank over that time.

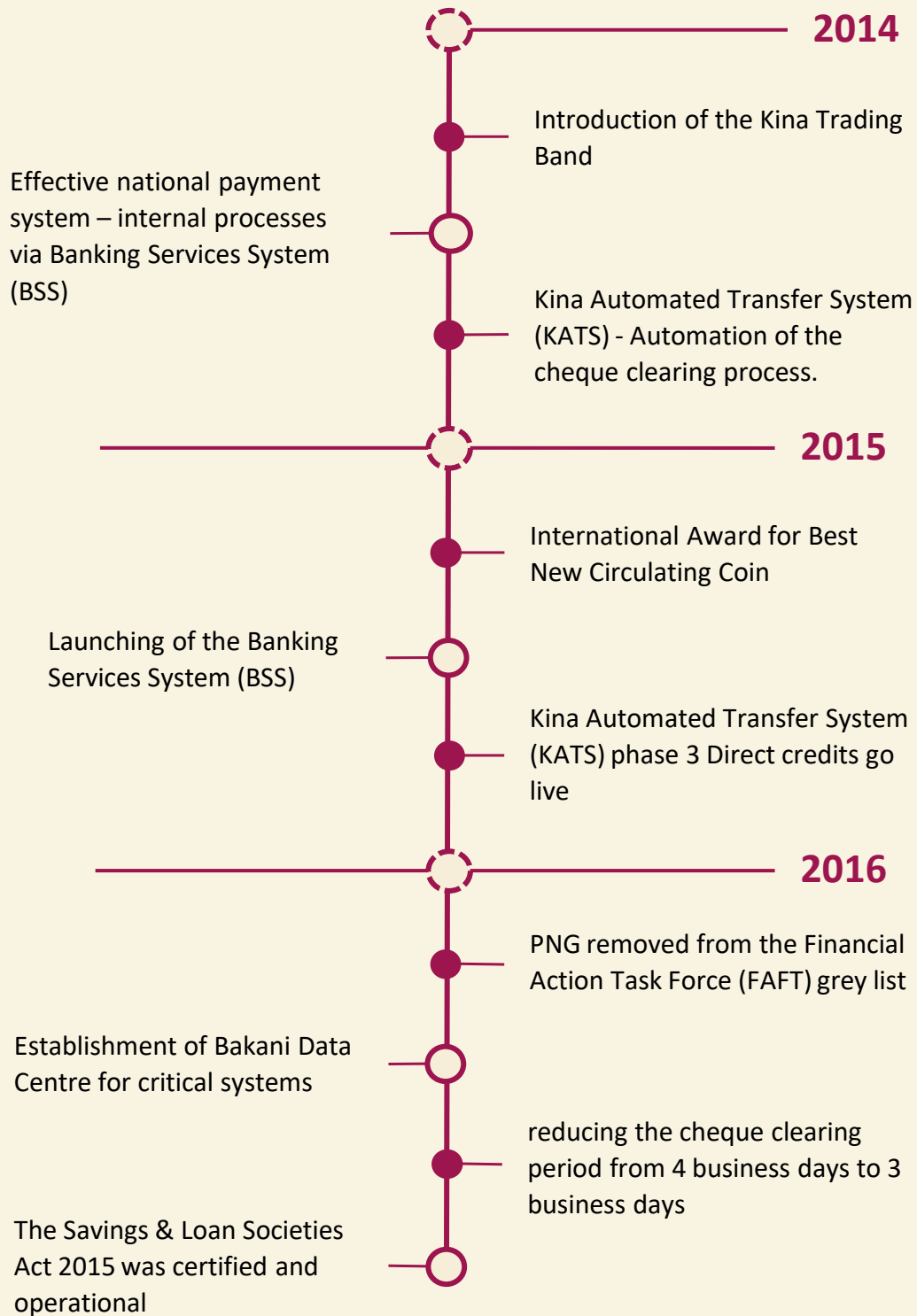
Reflecting on these accomplishments is crucial to recognise what we have achieved and the progress that has been made. When faced with the prospect of multiple complex challenges, it can understandably be daunting, until we stand back and appreciate the steps we have taken and the strong institutional capability we have established and grown. Doing so also prompts us to appreciate the strong foundation that have been laid, from which the Bank can continue to build and excel.

In fact, we can and should take confidence from what the Bank of Papua New Guinea has achieved.

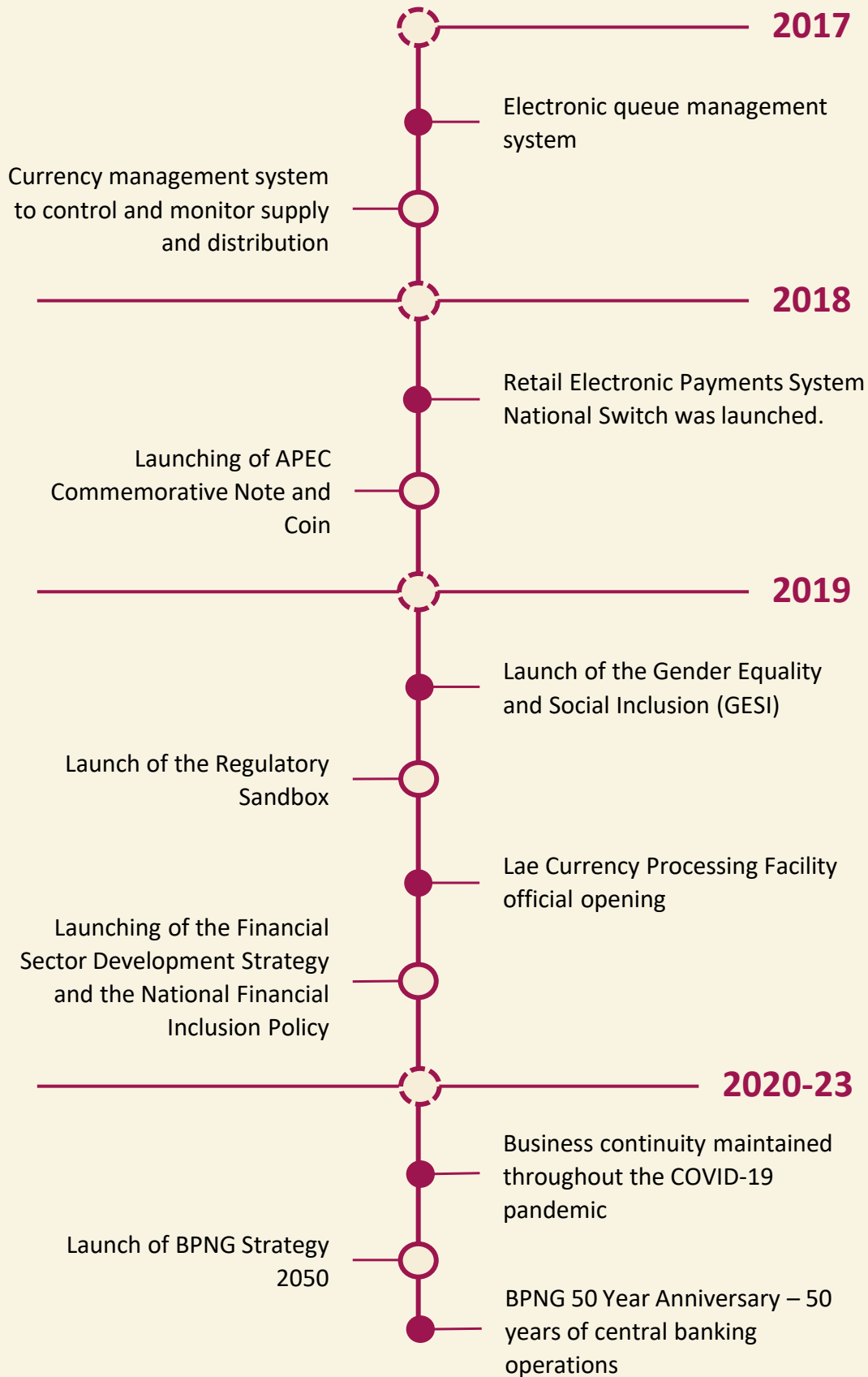
Key highlights that stand out from the last decade of operations include:

- In 2016, the Financial Action Task Force (FATF) delisted PNG from the 'grey list' and acknowledged the nation as the fastest reforming Asian-Pacific country.
- In 2017, the Bank commenced a project to update the currency operation at Port Moresby head office. The project involved upgrading security and work processes and introducing a management system to control and monitor supply and distribution.
- In 2018, the Bank commissioned a limited supply of a special K100 banknote to commemorate the 2018 APEC Summit to be hosted by the Government of Papua New Guinea.
- In 2019, the Financial Sector Development Strategy and National Financial Inclusion Strategy were launched.

BPNG Milestones 2014-23



BPNG Milestones 2014-23



- In 2020, the Bank’s risk management strategies and processes were put to real-life tests as the COVID-19 situation highlighted operational risks, key person risks and cyber security risks, particularly as some staff contracted the virus.

I have been proud to see the Bank’s staff respond to these challenges with energy and commitment. I believe these accomplishments are testament to the strong capability we are developing in the Bank.

However, we cannot rest on our laurels. As Vision 2050 makes abundantly clear, there is much work to still to be done to transform the economy of PNG. To enable this economic transformation, the Bank will need to make a significant contribution. However, to do this, the Bank will (first) need to have the capabilities commensurate with a modern central bank of a developing country.

As the Chair has pointed out in his foreword, our operating environment is complex and continually changing. The ongoing IAG review of the CBA means there is also ambiguity about our role.

However, the scale and breadth of the ambition described in Vision 2050 require clarity of focus and priority. Accordingly, in Vision 2050, we have explicitly defined and articulated our identity to provide the necessary clarity and focus and enable the Bank to move forward with purpose as a single, cohesive organisation.

We exist to moderate the impacts of economic volatility, and foster conditions that improve the lives of all Papua New Guineans.

Our focus, therefore, is to develop, maintain and promote a sound and efficient monetary and financial system that enables economic growth, employment and inclusion.

I want to acknowledge those who have contributed to the development of this important guiding document, our partners and stakeholders from across government including Treasury, the finance and banking sector, regional business councils, our international partners and of course the Bank’s Board and staff.

I am excited to introduce the Vision 2050. I encourage you to read and engage with this important document, and I look forward to working with you and others on its successful delivery.



A handwritten signature in black ink, appearing to read 'Elizabeth Genia'.

Elizabeth Genia, AAICD

Acting Governor, Bank of Papua New Guinea

30 July 2023

Our context

Established in 1973 in preparation for the independence of Papua New Guinea, the role of the Bank of Papua New Guinea has always involved the development of monetary policy that creates price stability, while enabling the financial system. Then as now, it was intended that the central bank would play a key role in improving the lives and wellbeing of all Papua New Guineans.

Successfully performing this role, and in doing so supporting Papua New Guinea's economic development while improving the prosperity and wellbeing of its citizens, presents a number of challenges for the Bank of Papua New Guinea to overcome.

Having gained its independence in 1975, Papua New Guinea is a relatively young sovereign nation, with an equally young and developing economy. The country is blessed with plentiful natural resources and economic opportunities.

However, developing the economy so that it is sustainable, appropriately diversified and provides economic benefits that are equitably shared with all Papua New Guineans requires rigorous planning and substantial investment. It also requires economic conditions that are conducive, and a stable and highly functioning financial system.

Papua New Guinea is one of the most diverse countries in the world; it is home to more than nine million people and more than 800 different languages spoken among a population divided into more than 10,000 ethnic clans across 600 islands.

That diversity presents both richness and opportunities but also further challenges. Living standards and the quality of life in Papua New Guinea are a long way from the levels that successive Governments have targeted.

Life expectancy is 65.3 years. Child mortality rates are high compared with other developed and developing countries. According to the World Bank's Human Capital Project, Papua New Guinea's Human Capital Index score is 0.4 (out of a possible 1.0).

These indicators of wellbeing are undoubtedly impacted by and linked to economic factors. Gross Domestic Product (GDP) has grown since independence in 1975. However, GDP per capita is currently \$US3,200, and the World Bank calculate that 85.7% of the population are living in poverty.

Employment is at 45.8% with most people employed informally in the agricultural sector. In fact, more than 75% of the population rely on the subsistence economy.

PNG country profile

+9M

PNG population

+800

Languages

10,000

Clans

85%

Population that is
located rurally

PNG prosperity & wellbeing indicators

45.8%

Employment
rate 2022¹

3,200
USD

GDP per capita¹

85.7%

Living in poverty
(Multidimensional)²

0.4

Human Capital
Index (2020)³

65.3
years

Life Expectancy⁴

4.7

Mean years
of schooling⁵

42.7%

Mobile phone users
(2017)⁶

0.558

Human
Development
Index⁵

135th

Global Gender
Gap Index Ranking
2021⁷

63.5

Global Gender
Gap Index Score
2021⁷

133rd

Global Gender Cap
Index Score 2021

0.895

Economic
participation &
opportunity 2021
Ranking & Score⁷

Footnotes

1. International Monetary Fund
2. United Nations Multidimensional Poverty Index (2022)
3. The World Bank, Human Capital Project

4. World Health Organisation, (2019 data)
5. United Nations Human Development Index (2021)
6. World Bank, Open Data
7. World Economic Forum (Global Gender Gap Report 2021)

In terms of other social indicators, Papua New Guinea is ranked 135th in the world for gender equality by the World Economic Forum, with a score of 63.5 (out of 100) for the Global Gender Gap Index. The Index Score includes an economic participation and opportunity component, where Papua New Guinea ranked 133rd in the world with a score of 0.895.

More than 85% of the population live rurally, and a significant proportion live in remote locations. The distributed nature of the population is not yet well supported by road, rail or telecommunication (voice and data) networks and other forms of infrastructure.

For example, a comprehensive transport network is essential to enable access to domestic and/or international markets (to sell agricultural goods for instance), social services, financial services and to improve productivity. Currently there is no effective road network connecting the country's two major cities, Port Moresby and Lae.

The 2010 census indicates that at the time less than 3% of the population could access the internet. As a result, access to online services such as financial services or educational services, are not options for most people.

Investment in the development of infrastructure that provides access to services and economic participation for the rural population, is essential for the economic and social development of Papua New Guinea.

Likewise, the investment and development of human capital is also a critical enabler of Papua New Guinea's economic and social development. The growth and development of local business, government and public service capability requires more people with a wider range of skills and an increasing depth of expertise. The education system is in turn critical to enable that. Currently, the average level of schooling per person in Papua New Guinea is only 4.7 years.

Government investment in the enabling infrastructure and human capital is important, however investment from other sources is also required. Creating the conditions that provide prospective investors with the confidence to invest in Papua New Guinea requires political, social and financial stability.

Key Insights

Our operating environment is complex, fast paced and constantly changing. There are many stakeholders, many moving parts and as a developing nation increasingly connected to the global economy, there are many factors influencing our operating environment.

Six key factors that stand out from our analysis are:



What we do is important because we impact the lives of all Papua New Guineans.

As the central bank of Papua New Guinea our work impacts the country's financial system and the economy. As such, what we do affects, or has the potential to affect, the lives of current and future generations of Papua New Guineans.

In other words, the impact we have makes our role and our work very important for the wellbeing of our nation.

Accordingly, there is an intense level of political, media, business and public interest to ensure that we get things right and perform our role well.



PNG Vision 2050 involves PNG's social and economic transformation by 2050.

PNG Vision 2050 has its foundations in the National Goals and Directive Principles which are enshrined in the PNG Constitution. It provides all government agencies with long-term strategic direction. Economic reform and growth are central planks of the strategy intended to enable the social transformation of PNG and improve the wellbeing of all Papua New Guineans.

BPNG has a pivotal role to play in the realisation of Vision 2050. That is because price stability and an effective financial system are critical pre-requisites and conditions for economic growth and prosperity.



The PNG economy is under-going significant reform and development.

PNG is a developing country. The reform of the economy is faced with numerous economic challenges, not least of which is the geographic spread of the population – 85% of which is rural.

Investment is needed to strengthen capacity in institutions, human capital, and physical infrastructure like roads, electricity, and telecommunications.

This needs to be complimented by investment in and development of the finance system so that rural communities and businesses can access financial services.

PNG economic profile

85%

Percentage of labour
force in agriculture

33B
USD

GDP 2022

11B
USD

Total Exports 2022

3.7%

GDP 2022
(Economic Growth)

130th
of 180
countries

Corruption perception Index
Ranking 2022

6.6%

Inflation 2022

30%

Corruption
Perception Index
Score 2022

5.4%

Forecast inflation
2023





Growing significance of technology for central banking

Advancements in technology are having a significant impact on the way global financial markets operate. Financial institutions, including banks are investing in automation and innovation to allow them to take advantage of new opportunities, and offer new products and services.

Digitisation is influencing how commerce is conducted and the 'digital economy' is growing rapidly. New technologies, digital products and services enable commerce but their potential impacts on financial system stability also need to be understood, and in the case of digital currencies, regulated.

Technology provides material opportunities to improve the Bank's performance (efficiency and effectiveness). It is no longer appropriate to regard ICT as a "back office" capability but rather as a critical enabler of all facets of the Bank's operations. Modernisation of the Bank requires a comprehensive and mature ICT capability. It also requires close working relationships between ICT and the other functional areas.



Managing data should be core business for BPNG

Timely, accurate and relevant data is critical for effective central banking. Each of the functional areas of BPNG relies on timely access to accurate data to inform robust decision making, effective monetary policy, risk-based regulatory approaches, and the provision of education and intelligence products for stakeholders and partners.

There are many data challenges facing the Bank that must be overcome as part of the Bank's digital transformation and modernisation. Data governance, security, storage, collection, access, integrity and management are prominent issues. The current data management model is distributed rather than centralised. Addressing these issues requires an intentional, holistic approach.



Expectations of central banks are changing, including in PNG.

Increasingly central banks are expected to grow confidence in the financial system. This includes providing clarity around the decisions they take around monetary policy settings, communicating effectively not only to government but also to market participants, including the public.

In developing countries there is a trend toward central banks playing a broader role than in many developed countries. In PNG, the review of the Central Banking Act has highlighted changes in expectations about BPNG's role with changes to our mandates placing an increased emphasis on economic growth and employment.

In addition, the relationship between central banks and government's economic policy advisors is increasingly recognised as critical for effective economic and monetary policy. As a result, there are growing expectations that the relationship between the Bank and the Department of Treasury will be closer, more open and more effective.

While the independence of central banks remains important, it is not acceptable for them to work in isolation from others.



02

OUR IDENTITY

Who we are | Why we exist



“ *Central banks use monetary policy to manage economic fluctuations and achieve price stability, which means that inflation is low and stable.* ”

International Monetary Fund



Who we are

We are custodians of the monetary and financial system in Papua New Guinea, and the Government's bank. Our focus is to develop, maintain and promote a sound and efficient monetary and financial system that enables economic growth and employment.

The financial system is a critical component of the PNG economy. It supports and underpins economic and commercial activity, including economic growth. It enables financial inclusion and economic participation. To do this well it must be robust, stable and effective.

The financial system must be supported to continue to evolve, mature, and grow to meet PNG's future economic and financial needs, and support the country's continued development.

However, the financial system is a complex ecosystem that requires careful stewardship to foster its intentional development, ensure its sound operation and promote its integrity. This critical stewardship role is the responsibility of the Bank of Papua New Guinea.

Why we exist...

We exist to moderate the impacts of economic volatility, and foster conditions that improve the lives of all Papua New Guineans.

Our mandate and roles

- Monetary policy expert – we are the leading expert on monetary policy, responsible for determining monetary policy settings to achieve and maintain price stability. We do this while also promoting and enabling economic growth and employment.
- Financial system custodian – we regulate, develop, promote and ensure a sound and effective financial system.
- Payment system steward – we develop, support and enable the financial system infrastructure, including an efficient payment system.
- Currency and money operations – we manage the production of PNG’s currency and the supply of money in the financial system (release and retirement of bank notes and coins).

- Government’s banker and financial agent – we provide the Government with efficient and responsive banking services.
- Institutional capability development – at the direction of Government we support the development of capability of other institutions such as the Centre for Excellence in Financial Inclusion (CEFI). For instance, in the case of CEFI we support CEFI to develop and mature its institutional capability, and we provide policy advice on financial inclusion.

“BPNG plays a crucial role in ensuring economic and financial stability.”



Country	Monetary Policy	Liquidity Management	Foreign Exchange	Lender of last Resort
Papua New Guinea	●	●	●	●
Malaysia	●	●	●	●
Philippines	●	●	●	●
Indonesia	●	●	●	●
New Zealand	●	●	●	●
Australia	●	●	●	●

KEY ● Central Bank is responsible

Our mandate and scope of responsibilities are incredibly broad for a central bank.

As a central bank our mandate is incredibly broad by international standards. In comparison with the Reserve Bank of Australia (RBA), the central bank of a large (G20) and developed economy, BPNG’s mandate is significantly broader. The scale and maturity of the economy of Australia supports separate stand-alone regulators (for Prudential regulation and Anti-money laundering and Counter-terrorism financing). In addition, the RBA is not tasked with economic growth, employment or financial inclusion responsibilities.

In contrast with other less developed economies like, for example the Philippines, it is interesting to note BPNG’s remit is likewise, still broader. This reflects the confidence that PNG government has had in BPNG to establish and support the development of new entities, functions and organisational capability.

In other words, BPNG is recognised as a safe pair of hands and trusted by Government. As a result, it is often asked to do more.

This work is important for the country of Papua New Guinea, but it also brings some challenges for the Bank, particularly in respect of resource management. For example, the focus of the BPNG leadership group, the Board and senior management of the Bank, is spread more thinly across a wider range of functions and matters, while seeking to transform the Bank.

In addition to intense demands on management time, the broad range of responsibilities requires significant funding and investment in capability development. An increasing number of priorities are competing for not only management time but also limited financial resources. These competing tensions need to be managed in ways that do not place the stability and robust development of the financial system at risk.

Prudential Policy	Prudential Supervision	AML/CTF Supervision	Economic Growth	Employment	Financial Inclusion
●	●	●	●	●	●
●	●	●	●	■	●
●	◆	■	●	■	◆
●	◆	◆	●	■	●
●	●	◆	■	●	■
◆	■	■	●	■	■

◆ Central Bank has some responsibility (partial) ■ Central Bank has no responsibility



03

**OUR STRATEGIC
INTENT**

Our vision | What success looks like

Our vision for 2050

Economic opportunities for all Papua New Guineans.

That means in 2050, through price stability and the effectiveness of the financial system, conditions are being created that support the people of Papua New Guinea to have access to economic opportunities and as a result, they experience improved economic wellbeing.

What success looks like:

By 2050 BPNG will have played a critical role enabling the social and economic transformation of Papua New Guinea.

- What that means is that in 2050 the integrity of the financial system encourages local and international investment, including in the non-extractive industries and critical infrastructure. That is because the monetary and financial system is and has been stable, operating well, and as a result it has improved investor confidence.
- Price stability and the sound financial system, including the payment system, have enabled efficient trade and commerce. That means that our monetary policy settings have created the conditions where business activity is enabled, supported and promoted.

- That means that BPNG is helping to create conditions which support economic growth. As a result, economic benefits such as employment opportunities, market competition, innovation, and consumer choice are being realised.
- That means that we have contributed to conditions that have supported the expansion and diversification of the financial sector, which in 2050 provides competitive access to financial products and services for all PNG citizens. By enabling targeted growth and development of the financial system and sector, citizen access to financial services, such as banking, has improved, even in remote rural locations.

In 2050, the Bank of Papua New Guinea has long been a trusted, modern central bank, progressive in its approaches, and responsive to the needs of PNG.

- What that means is that we will be trusted by government, trusted by investors, trusted by partners and trusted by the public. That is because we have been intentional about earning their trust. We have provided clarity about our decisions and the reasons for them. We have held ourselves accountable and done what we have said we would do. We have consistently performed well and have a track record of achievement.

- In 2050 we will be a modern central bank. 'Modern' is an ongoing state. It means we have continuously adopted new ways of working and developed our capability so that it is fit for purpose, and we can meet the challenges of the day. 'Modern' in this context is not about new tools or systems for the sake of being new, rather it means that we have the capability relevant to the challenges and needs of the day.
- It means that we are progressive in our approaches because we have embraced new ways of working, adopted innovative approaches to develop solutions, overcome constraints and deliver positive outcomes for PNG.
- It means that we are responsive to the needs of PNG because we continually liaise with others and analyse data to understand what those needs are. Further, we have developed our agility so that we not only understand those needs but that we are able to also adjust our approaches to meet those needs in a timely way.



Critical success factors and dependencies

The success of the strategy and achievement of the vision by 2050 is dependent on several critical success factors and dependencies:

Intentional design of the future – the Bank must adopt a future oriented posture and intentionally design the Bank accordingly. This requires a systematic and holistic approach to the design of the Bank's operating model.

Capability uplift and alignment investment – The operating model design (see above) will inform a comprehensive, holistic, integrated and prioritised roadmap of the capability needs out over the next 10+ years.

Performance management framework – having a systemic approach to monitoring and tracking performance will provide the Board with transparency and assurance as well as promoting accountability.

Monitor, evaluate, learn and adjust ethos – the performance framework needs to be accompanied by behaviours that embrace the discipline of monitoring performance, evaluating effectiveness, learning lessons and making the necessary adjustments to be successful.

Leadership – the success of the strategy is dependent on effective leadership, in terms of communication, mobilising resources, modelling and promoting the necessary behaviours and supporting the changes, including mindsets, that staff need to make.





04

STRATEGIC RISKS

Strategic risks, significance & mitigations

Strategic Risks

As with any strategy, there are factors that could prevent the Bank from successfully realising our vision and delivering the strategy. These are our key strategic risks.

Broader risk context

Historically two of the most significant risks posed to the PNG economy and therefore our vision for 2050 of 'economic opportunities for all' are political instability and corruption. While these risks are largely beyond the control and influence of the Bank, their significance to our broader operating environment warrants acknowledgement in the strategy.

It is no coincidence that as political stability has improved that investment in PNG has also improved. While this political stability is outside our sphere of influence, we have aligned our vision and approach with the strategic intent of the National PNG Vision 2050, which has been retained as the national strategic direction by successive governments.

The risk of corruption is about perception and the impact on investor confidence. The ability of PNG to successfully bring about economic and social transformation for the benefit of all Papua New Guineans, requires significant investment. We must therefore ensure the confidence of current and prospective investors.

As a nation, PNG is currently ranked 130th in the world on the corruption perception index ranking with a score of 30. We must work hard to improve our standing, including through the work the Bank of Papua New Guinea undertakes as a prudential regulator, and as a regulator of money laundering and terrorism financing.

Strategic Risks

1. Our organisational capability and ways of operating do not align with the requirements of the vision, and/or become outdated and do not keep pace with the rapidly changing economy and the needs of the financial sector.

The potential impact of this risk is that we are unable to achieve the vision, fulfil our mandate and perform our role with the efficiency and effectiveness required of a modern central bank.

Enabling the economic and social transformation of PNG requires a high performing modern central bank. 'Modern' in this context means having the ways of operating and the capabilities that enable them, that are fit for purpose and able to meet the needs and challenges of the day. Maintaining our status as a 'modern' regulator, is therefore a perpetual challenge.

Mitigation against this risk can be achieved by:

- Intentionally redesigning the operating model to align with and enable the vision,
- Constantly scanning the horizon for emerging trends and issues, and analysing the anticipated impacts on the Bank's role or operations,
- Developing a capability roadmap and adapting the operating model in line with the analysis, so that the operating model is always fit for purpose ('modern').

- 2. A lack of organisational agility and adaptability means that the Bank is slow or unable to adjust to legislative or market changes, emerging needs, new technologies, emerging risks or issues.**

The dynamic nature of our operating environment and the high speed and rate of change, mean that we will not be effective in our role unless we are responsive to change.

The potential impacts of this risk are many and varied, such as:

- a lack of agility could result in the Bank being slow to recognise and respond appropriately to risks such as emerging regulatory risks, which in turn could potentially undermine the stability of the financial system,
- Alternatively, the Bank may persist in using methodologies and ways of working that are not best practice, and as such are less effective and efficient than possible or desired.

Mitigation against this risk can be achieved by:

- Promoting the cultural shifts necessary to embrace change and new ways of doing things.
- Empowering Bank staff to make the necessary pivots and changes through a robust, modern governance framework.

- 3. The continued broadening of the Bank's mandate and increased responsibilities, with current resourcing levels is not sustainable.**

The Bank is periodically asked to take on further responsibilities, particularly regarding the support, establishment or oversight of other government organisations or initiatives.

This is an important role however, the Bank has limited resources, both in terms of financial as well as human resources, and there are real risks that precious resources, such as the Board and management are diverted from existing mandates and priorities, placing the monetary and financial system stability at risk.

Mitigation against this risk can be achieved by:

- Undertake rigorous analysis of any proposed changes to our mandate to consider the requirements and impacts and where appropriate advise government on the these implications and possible alternatives, to ensure BPNG as the central bank can maintain a focused role and best add value for PNG.
- Securing further resourcing from government for these types of initiatives, and/or
- Developing exit strategies for any such initiatives, where the parties can agree the conditions that need to be satisfied for the supported entities to ultimately be able to operate independently (from the Bank).

- 4. The Bank is unable to access the right people it requires with the necessary technical expertise to take the Bank to the 2050 vision.**

Achieving the vision will require the Bank to have access to a range of high calibre specialists. This includes not only economists and central bankers but also increasingly includes subject matter experts in areas like Information, Communications and Technology (ICT).

For instance, ICT security, data management, artificial intelligence and digital currency are areas where specialist ICT expertise with financial sector and banking expertise is in demand world-wide. Without access to these specialist capabilities there is a risk that the Bank's transformation into a modern regulator will stall.

Mitigations against this risk can be achieved by:

- Developing talent management strategies, including recruitment and retention initiatives.
- Developing succession plans for key roles.

Operational risks and sensitivities

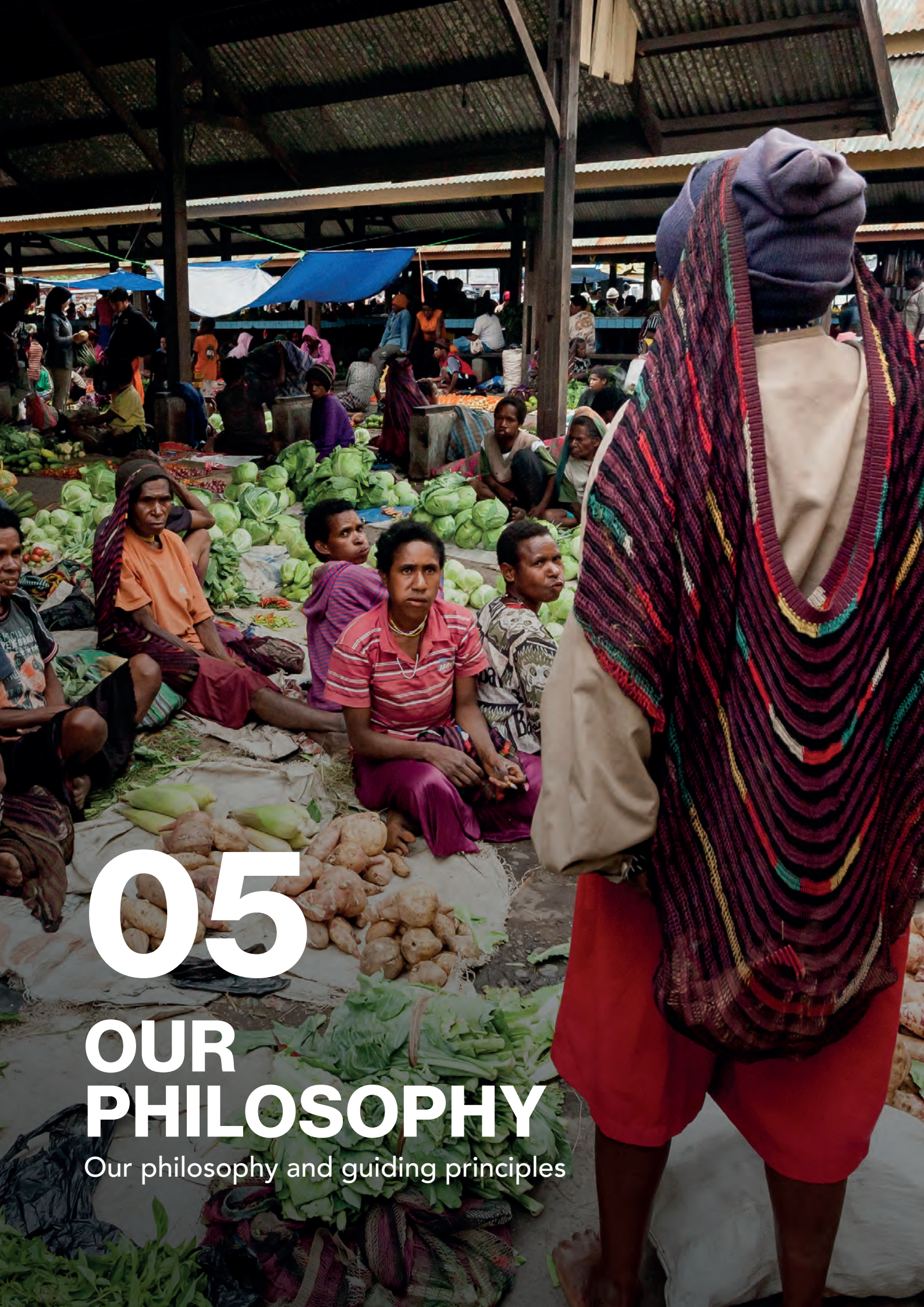
Of course, there are a range of other risks (operational) that could also inhibit the Bank's success. While the impacts of those risks have historically been considered in terms of their operational and financial impacts, this strategy's success is also dependent on the standing of the Bank's brand and reputation.

It is essential that the Bank is recognised for its capability and expertise, and that it is seen as a trustworthy institution that always acts with integrity and leads by example. That means that the Bank must conduct itself in ways that demonstrate that it is beyond reproach and mitigate perceptions of conflict or corruption.

In order to achieve this and fulfil its mandates of monetary stability and confidence in the financial system, the Bank must maintain a level of independence from political influence and other government organisations, while also working closely with them.

Another example regarding reputational risk relates to the Bank's credibility as a regulator. As an institution responsible for promoting confidence in the financial system, BPNG's credibility and trust would be undermined if as a regulator of banks and financial institutions, the Bank is not meeting all regulatory standards itself.





05

OUR PHILOSOPHY

Our philosophy and guiding principles

Our philosophy

Confident businesses, confident investors, confident partners, satisfied citizens.

We undertake our roles and perform our functions in ways that ultimately promote confidence, both in the Bank and in the integrity of the monetary and financial system of PNG.

Our guiding principles

- We intentionally earn and build trust – so we can lead, advise and influence effectively. That means that everything we do is toward earning trust in the way we conduct ourselves, and in our capability. We earn the trust of others by providing transparency around our decisions, plans and progress. We earn trust by doing what we say we will do. We build trust by continuous excellent performance that delivers results for PNG.
- We communicate clearly and often to grow and nurture confidence. That means that we provide clarity about our decisions, intentions and actions. We communicate to share information and to explain the logic underpinning our decisions and actions. We communicate in ways that are easily understood by others, including members of the public.
- We collaborate with others to overcome constraints and improve outcomes for PNG. This means that we understand that we can't perform our role and deliver on our mandates by working in isolation. Rather we need to work with others to maximise the impact we can have for PNG. This means working with a range of organisations across the public and private sector, such as the Treasury Department, the Inland Revenue Commission, Customs, and the Police.
- We learn, adapt, innovate and improve – so we are responsive to the changing world and PNG's needs. This means that we are not static and that we proactively take advantage of opportunities to continually improve. We monitor and evaluate our performance. We recognise the need to make changes and adjust. We learn from our mistakes, we learn from our partners, we learn from our counterparts overseas. We are relentless in our pursuit of improvement.
- We leverage our capabilities to support broader government needs and initiatives while protecting our critical central banking functions. We have a track record of successfully developing institutional capability and supporting government initiatives. We will continue to support government to establish organisations, and to develop and mature their institutional capability. We will do this cognisant of our limited resources and capacity, so as not to undermine our performance as the central bank of PNG.





06

**OUR
CULTURE**

Values & behaviours

Our values and behaviours.

Our values are the things we believe and the things that are important to us. These are the things that influence how we behave. These six values underpin our success and effectiveness.

1. Integrity

Build good governance and credibility

Integrity is a critical value to ensuring that the Bank earns the trust of the people of Papua New Guinea and our partners. It is about doing the right things well using approaches such as our Governance framework to enable our people to always make sound and prudent decisions.

2. Efficiency

Quality results, on time and on budget

Efficiency is about delivering the best possible results and value for Papua New Guinea with the resources that we have available. This is linked to and dependent on our ability to prioritise effectively. Through this value we place an emphasis on pragmatic functionality that delivers the quality of results we are seeking in a timely and affordable way. Our focus on efficiency is also linked to our drive for continuous improvement.

3. Transparency

Our decisions stand scrutiny

Transparency is about our belief in openness and being communicative about what we are doing and why. We welcome the scrutiny of others including the public, government and our partners. We recognise that this is critical for us to build trust and collaborate with others.

4. Professionalism

We strive for best practice

In keeping with the importance of the Bank's role, we set and maintain the highest level of professional standards and behaviours. We also support our people to gain qualifications, and to continue to develop and hone their expertise, in line with the modernisation of the Bank.

5. Teamwork

Sharing skills, knowledge and experience

We recognise that our vision requires us to work effectively as a cohesive organisation. Our vision is ambitious and requires contributions from all parts of the Bank. Operating cohesively across the organisation is essential and is what we call 'One BPNG'. It means that we must communicate effectively, share information and resources, coordinate, support each other and collaborate.

6. Accountability

Take responsibility for our decisions and actions

Accountability is important to us because we believe that we must fulfil our mandate, do jobs, and do what we have committed to doing. We believe we must also be able to demonstrate these things. We must be accountable to the people of PNG, our partners and to each other. We manage accountabilities through delegations, clear responsibilities and by being transparent around our performance.

“ The culture and values of the Bank are the means by which we set out the way we work and the way we expect to conduct ourselves. The values indicate how we will work together and with others. ”

Location

Corner of Douglas Street
To Robert Haus
Section 25 Allotment 1
Port Moresby

Contact

T: (675) 322 7200
F: (675) 321 1617

Postal Address

Bank of Papua New Guinea
PO Box 121
Port Moresby 111
National Capital District
Papua New Guinea.

