

# Fiscal responses to export instability in Papua New Guinea

Institute of Applied Social and Economic Research - Sustainable Communities, Sustainable Development: Other Paths for Papua New Guinea on JSTOR

Fiscal Recommendations	
Policy Action	
<b>Monetary, Financial, and Exchange Rate Policies</b>	
<ul style="list-style-type: none"><li>• Enhance the effectiveness of monetary policy with the BPGM taking more aggressive steps to remove excess liquidity, including through open market operations, increasing the CR, and moving government deposits from commercial banks to the BPGM.</li><li>• Maintain a floating exchange rate regime to help absorb external shocks.</li><li>• Continue to monitor the impact of price corrections in the hauled segment of the real estate sector triggered by the AML/CFT project. Macroeprudential policies need to be considered and cross cuts should be conducted regularly.</li><li>• Implement FATF AML/CFT recommendations.</li></ul>	<ul style="list-style-type: none"><li>• Excess liquidity remains sizable, but the BPGM is actively considering options to withdraw liquidity and discussing specific measures for implementation. Meanwhile, the CR was increased from 8 percent to 10 percent in September 2014.</li><li>• The official interbank exchange rate remained unchanged from October 2013 to early June 2014, even though banks transacted with their customers at more depreciated rates. The BPGM subsequently introduced a band on FX trading spreads around the interbank rate, leading to a sharp de facto rate appreciation. The interbank rate has since been depreciating slowly, but FX margins have persisted.</li><li>• The BPGM has been monitoring the exposure of superannuation funds and banks to the property sector. Work is underway to establish a separate macroprudential unit within the BPGM and to improve macroprudential data.</li><li>• Following the placement of PNG on the FATF "grey list" in early 2014, the authorities have developed an AML/CFT national strategy. Plans aimed at addressing the action items within an agreed timeframe with the FATF.</li></ul>
<b>Fiscal Policy</b>	
<ul style="list-style-type: none"><li>• Adopt a fiscal policy since consistent with lowering public debt in line with the government's targets and ensuring debt sustainability. The government should also pay greater attention to improving the quality of spending.</li><li>• Devote greater efforts to revenue collection, especially through improving tax compliance and rationalizing tax exemptions and concessions.</li><li>• Safeguard the integrity of the SWF for it to play a key role in managing PNG's resource revenues.</li></ul>	<ul style="list-style-type: none"><li>• The authorities remain committed to achieving legislated debt targets, but continued fiscal expansion has led to estimated debt levels above the targets. Progress has been made in operationalizing the BPGM, integrating recurrent and development budgets, public expenditure review, and the PRA assessment.</li><li>• A series of measures were announced in the 2014 budget, and revenue administration has improved. Audits of extractive industries have been initiated and a comprehensive tax review is under way.</li><li>• The revision of the SWF law is under way and the SWF is expected to be operational in 2015. The authorities have indicated that they intend to follow sound principles in amending the legislation.</li></ul>

Description: -

- Papua New Guinea -- Economic conditions.

Export marketing -- Papua New Guinea.Fiscal responses to export instability in Papua New Guinea

- IASER discussion paper -- no. 19.Fiscal responses to export instability in Papua New Guinea

Notes: Bibliography: p. 27-28.

This edition was published in 1978



Filesize: 60.87 MB

Tags: #Fiscal #responses #to #export #instability #in #Papua #New #Guinea #/ #N.V. #Lam

## Papua New Guinea's elusive stability

. While the overdeveloped world faces an intersecting crisis created by global climate change and financial instability, Papua New Guinea, with all its difficulties, still has the basis for responding to this manifold predicament. In 2006 and 2010 it legislated to weaken the Ombudsman Commission which oversees the Leadership Code of conduct which is intended to ensure probity among national leaders.

## Fiscal responses to export instability in Papua New Guinea / N.V. Lam

The Opposition and civil society groups, by contrast, have alleged poor governance and pointed to the near collapse of essential services in many areas, while the conventions of democracy and the Standing Orders of Parliament are flouted.

## Papua New Guinea's elusive stability

The independence of Papua New Guinea was marked by both bold anticipation and uncomfortable ambivalence.

## Development plan 1989

<sup>1</sup> Since then heightened attention has been raised about the need to recognize an impending crisis. In 2006 an influential microfinance provider, the Grameen Bank, and. Lam Book Bib ID 3802873 Format Book , Author Description Boroko, Papua New Guinea : Institute of Applied Social and Economic Research, 1978 iii, 28 p.

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Discontent from within the government could not be hidden on 20 July when the Deputy Prime Minister Sir Puka Temu, two other ministers and 17 other government MPs to sit with the Opposition.

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It has come through Kassangare village and moves up to Wisini after crossing the Kassangare River, a tributary of the Biaru River, currently in flood. In mainstream economic and development theory, informal economies have classically been treated as part of an irregular sector that either should be temporarily tolerated or harnessed and integrated into the economic center. In this context, sustainability is conceived in terms that include not just practices tied to economic development.

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