



SOVEREIGN WEALTH FUND FOR ALL PNG

To protect the economy and future development of PNG by safeguarding public mining and resource revenues for future spending

What is the PNG SWF?

The Papua New Guinea Sovereign Wealth Fund (PNG SWF) is made up of two funds: the Stabilisation Fund and the Development Fund. The 2011 budget, approved in November 2010, provided for the establishment of the PNG SWF and its key design elements. Since February, the government has been developing the SWF framework and its legislation to be introduced to Parliament later this year.

What do the funds do?

Stabilization Fund: To manage the impact of fluctuating mineral and petroleum public revenues on the economy by promoting and supporting macroeconomic stability. **Development Fund:** The Development Fund shall provide definite and ongoing funding for economic and social development in accordance with the development plans of Government.

How will it affect PNG?

In the first half of the 1990s, the mineral boom associated with production from the Misima, Porgera, Kutubu, Tolukuma and Ok Tedi projects increased mineral export earnings and caused the exchange rate, incomes and consumption to rise. This caused rapid increases in local prices of food, fuel and other products and made us earn less for our exports such as coffee, copra and palm oil. The SWF can help to reduce these local effects by ensuring that something similar does not occur due to increasing mining and petroleum revenue.

How is this different from the MRSF and trust funds?

We have learned from previous funds such as the Mineral Resources Stabilization Fund (MRSF) and the trust funds. The MRSF funds were invested onshore rather than offshore, that meant only low domestic interest was earned and it did not protect our exports. A PNG SWF will also be better integrated into the budget to manage government spending and the economy. The PNG SWF will be governed by an Organic Law, to better monitor and protect the Funds and their spending.

Do other countries have SWFs?

Yes. Many countries around the world have Sovereign Wealth Funds. The first was established in 1953 and there are now almost 40 countries across the world that are utilising them. The map below shows many of the existing SWFs.

Timor-Leste
Established from petroleum revenue in 2005 this fund has grown quickly.
2006: US\$1 billion in value
2007: More than US\$2 billion
By investing wisely the PNG SWF can also grow in value and provide for greater benefits in the future.

Chile
In 1985 a SWF was established that has now grown to over US\$21 billion.
Chile has been the fastest growing economy in Latin America during the last 15 years.
Poverty has fallen greatly and incomes have doubled in real terms.
The PNG SWF can also be a tool for improving the lives of all Papua New Guineans by managing our mineral wealth sensibly.

Kiribati
The phosphate mining reserves of Kiribati were depleted in 1979 and export ceased.
1956: Fortunately a SWF was established of AU\$556,000.
2010: The SWF had grown to AU\$400 million, enough to have sufficient reserves to cover the cost of imports to Kiribati for the next 10 years.
PNGs mining resources are also limited and non renewable, they will eventually be expended. The PNG SWF can help extend the benefit of today's wealth into the future for all.

Kokopo Forum - This Friday

The Secretaries' Committee invites you to join Ministers and a team of senior officials from various government departments who will visit Kokopo to discuss the PNG SWF with provincial governments and the public.

Date: 10am, Friday 18th November 2011 **Venue:** Gazelle International Hotel

To register your interest, please email swfforum@treasury.gov.pg, phone us on 312 8756 or SMS 7306 1912.

Further forums at Alotau, Mt Hagen and Lae/Madang will be announced shortly.

Authorised by Chair of the SWF Secretaries' Committee