

**Public statement
by Rt Hon Sir Mekere Morauta
Port Moresby, 18 May 2017**

Bakani compromises Bank of PNG



Former Prime Minister Sir Mekere Morauta said today people and politicians should ignore calls by the Governor of the Bank of Papua New Guinea, Mr Loi Bakani, not to discuss the economy during the election campaign.

“This is an outrageous statement,” Sir Mekere said. “We live in a democracy – members of the public and political candidates have every right to question the state of our economy and public finances.

“The stagnation of the economy, job losses, the foreign currency shortage, the current cash flow crisis and the monetary situation are legitimate and critical topics for public debate and discussion.

“How are we going to get out of the mess created by the O’Neill Government, with Mr Bakani’s willing helping hand, if we do not debate it, identify the causes and come up with solutions?”

“It is incredible that a Governor of a central bank should get the bank deeply involved in politics. If the Governor is going to say anything during this campaign he should be explaining to people where we are, why, and what the solutions are, instead of dancing to the tune of Peter O’Neill.

“I understand the body of the bank - good professional Papua New Guineans working very hard to serve the bank - is bewildered by the words and actions of the Governor. I understand the body of the bank is still healthy; the weakness is at the head.”

Sir Mekere, a former governor of the central bank, who was asked to resign for protecting its independence, said that under Mr Bakani the bank has become a politicised creature manipulated and abused by the Prime Minister and his cronies.

Under Mr Bakani, the central bank has been involved directly in a number of scandals involving the Prime Minister and his economic advisor, Dr Jacob Weiss, including the UBS loan and the LR Group purchase of two mixed-fuel power generators for Lae and Port Moresby.

More recently, demonetised bank notes have been stolen somewhere between the central bank and their final destination, and are now appearing on the streets and in villages as a means of manipulating the election.

The central bank no longer polices the financial system as it should, and it no longer has any independent role in monetary and fiscal policy. There is now virtually no prudential control over the commercial banks, raising concerns about the level of private lending to the Government and to State-Owned Enterprises.

It has sold out its independence and has betrayed public confidence in its role as an oversight institution. It is becoming less and less transparent, and its published statistics and analysis often do not accord with reality.

For example the last Monetary Policy Statement failed to reveal that the debt to GDP ratio had exceeded the legal limit of 30 percent when even the Treasury Final Budget Outcome was willing to do so.

“Worst of all, the Bank of Papua New Guinea has become a tool of Mr O’Neill and his cronies to print money,” Sir Mekere said.

“By printing money, the central bank is adding to the economic crisis by creating a mountain of debt, close to K40 billion, mortgaging future income flows to interest payments, around K2.5 billion a year, causing a foreign currency crisis and pressure on the kina.

“It is Mr Bakani who should stop playing politics and return to his legislated role as Governor of the central bank.”