



BANK OF PAPUA NEW GUINEA

OPENING REMARKS
FOR THE
MINISTER FOR FINANCE & TREASURY
THE HONOURABLE MR PATRICK PRUAITCH, MP

FOR THE
NATIONAL PAYMENTS SYSTEM SEMINAR
CROWNE PLAZA, 30th NOVEMBER 2009
AT 9:00AM

Good morning. I am delighted to be able to attend this seminar and deliver the opening address.

As you will hear in more detail during the course of this morning's presentations, the national payments system is a critical element of every nation's economy. Briefly, it may be defined as encompassing everything to do with moving money around the economy in support of the many different types of economic transactions that take place on a daily basis. It comprises not just the funds transfer mechanisms – including payment processing organisations, communications networks, and computer systems – but also an organisational, legal and regulatory framework whose objective is to ensure that payments are made in a safe, reliable, economic and efficient manner.

So a coffee grower being paid for his crop, a citizen or company paying tax, a consumer paying bills, or an exporter receiving payment for products sold overseas – all of these are able to happen because there is a national payments system to support the movement of money.

As the economy of Papua New Guinea continues to develop and expand, it is vital that it is supported by a fair, safe, efficient and convenient national payments system, to ensure that all elements, from private citizens to the largest corporations, are able to receive and make payments freely and in safety. In particular, in a modern economy it is important to move from the use of cash to electronic forms of payment wherever possible, for several reasons. Electronic payments are faster, more convenient, more cost-effective and safer than traditional instruments such as cash and cheques. Also, reducing the amount of cash in circulation makes more funds available for investment in development projects, to the benefit of the entire community.

The national payments system in PNG, as in most countries, has evolved over the years through a mixture of cooperation and self-interest by participants. During this time the financial sector has grown significantly and the Bank of Papua New

Guinea has recognised that it is now time to adopt a cohesive approach on overall system design to reduce costs, improve efficiency and maintain safety and stability.

The current payments system in PNG is inefficient and expensive, and, while significant changes to payment instruments and mechanisms have been introduced, the whole payments infrastructure has not been reformed for a considerable time. On this basis, the BPNG has embarked on a project to reform the whole payment system to make it more efficient, reliable, safe and in conformance with international best practices.

We face especial challenges in modernising the national payments system of PNG, in particular in extending its reach to the large portions of the country that are currently without such services. The reform programme aims to introduce a National Payment System that entails legal provisions and mechanisms for timely processing of interbank transactions, and caters for the growing range of financial services such as electronic payments system. It should also facilitate the extension of banking services to those who do not currently have access to them, using agents, mobile banking and other relatively secure and low risk mechanisms.

Because the national payments system is of such vital importance to our entire national economy and therefore our future well-being, I am delighted that the Bank of PNG has undertaken this initiative, and I would now like to hand you over to the Governor of the Bank to give some more details.