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## Treasury Report: Options for the Removing the “Dual Mandate” and Other Changes to the Monetary Policy Regime

<b>Date:</b>	Tuesday 28 November 2023	<b>Report No:</b>	T2023/2001
		<b>File Number:</b>	MC-1-3

### Action sought

	Action sought	Deadline
Hon Nicola Willis <b>Minister of Finance</b>	<b>Indicate</b> your preferred approach to removing the dual mandate and considering other changes to the monetary policy regime	N/A

### Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Hamish Dick	Analyst, Macroeconomic and Fiscal Policy	s9(2)(k)	N/A (mob)
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Ben Gaukrodger	Acting Director, Economic System		✓

### Minister’s Office actions (if required)

**Return** the signed report to Treasury.

Note any feedback on the quality of the report

**Enclosure:** No

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## **Treasury Report: Options for the Removing the “Dual Mandate” and Other Changes to the Monetary Policy Regime**

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### **Executive Summary**

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Set out in the National-ACT coalition agreement for the 54<sup>th</sup> Parliament, the Government has committed to “amend the Reserve Bank of New Zealand Act 2021 (the Act) to remove the dual mandate.” The Government has also agreed that advice will be taken on the following matters in relation to the Act:

- more clearly defining “medium term” with regards to the economic objective to achieve and maintain medium-term price stability
- removing the role of the Treasury observer to the Monetary Policy Committee (MPC), and
- returning to a single decision maker model for monetary policy (i.e., the approach to decision making prior to the introduction of the Act).

This report sets out two possible pathways for meeting your commitments. You could:

- **introduce a Bill** within 100 days (and subsequently issue a new Remit, upon the passage of the Bill) to amend the Act to remove the economic objective of supporting maximum sustainable employment (MSE), while maintaining the medium-term focus of the price stability objective and the current approach to the Treasury observer and decision making model of the MPC.
  - This approach would allow you to achieve the National Party’s pre-election commitment to introduce legislation within 100 days to remove the Reserve Bank’s dual mandate. Introducing a Bill as soon as possible to remove the dual mandate would require separate consideration of matters related to the medium-term focus of price stability, the Treasury observer, and the decision making model for monetary policy. Depending on your decisions on these matters, a second Bill may be required.
- **issue in the first instance a new MPC Remit only (recommended)** requiring the MPC to place greater weight on its price stability objective relative to MSE, such that MSE becomes a secondary objective.
  - Issuing a new MPC Remit ahead of a possible Bill would allow you to consider all options for amending the Act in an integrated way, following the consideration of further advice on matters relating to the medium-term focus of price stability, the Treasury observer, and the decision making model for monetary policy. This ensures the Act needs to be amended only once to reflect your desired changes to New Zealand’s monetary policy regime. Depending on the nature and timing of decisions, and the detail of advice sought, it may still be possible to introduce legislation within 100 days. Nonetheless, increasing the scope and complexity of possible changes to the Act necessarily increases the time required for Cabinet decision making ahead of a Bill’s introduction.

We are supportive of any approach to monetary policy that more clearly prioritises achieving price stability. Regardless, we recommend that a flexible approach to inflation targeting is maintained, whereby the MPC has regard to the impact on the broader economy when determining how quickly to achieve their primary goal specified in the inflation target. Unnecessary short-term volatility in the real economy can have substantial costs, which we consider should be factored into monetary policy decision making. With or without a dual mandate, the impacts of labour market developments will remain relevant to monetary policy formulation, assuming a flexible inflation targeting approach is maintained.

**IN-CONFIDENCE****Recommended Action**

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We recommend that you:

- a **note** that the Treasury is supportive of an approach to monetary policy that more clearly prioritises achieving price stability, which could be achieved either through an amendment to the Reserve Bank of New Zealand Act 2021, or a new Remit for the Reserve Bank of New Zealand's Monetary Policy Committee
- b **note** that, notwithstanding the value in prioritising the achievement of price stability, the Treasury considers that flexible inflation targeting continues to provide macroeconomic benefits to New Zealand, whereby the impact of monetary policy on the broader economy is considered when determining how quickly to stabilise inflation
- c **indicate** your preferred approach to ensuring the prioritisation of the Reserve Bank of New Zealand's price stability objective, to be achieved within the Government's first 100 days:
  - i. **Introduction of a Bill** to amend the Reserve Bank of New Zealand Act 2021 to remove the economic objective to support maximum sustainable employment, with subsequent consideration of advice on matters relating to the medium-term focus of price stability, the Treasury observer, and the decision making model for monetary policy.
  - ii. **Issuance of a new Monetary Policy Committee Remit** to increase the weighting of the economic objective to achieve price stability relative to the economic objective to support maximum sustainable employment, with consideration of advice on matters relating to the medium-term focus of price stability, the Treasury observer, and the decision making model for monetary policy ahead of the introduction of any Bill to amend the Reserve Bank of New Zealand Act 2021. *[Recommended]*
- d **note** that, should you not wish to progress either of the options as set out in recommendation c above, the Treasury can discuss alternative approaches with you.

Simon McLoughlin  
**Manager, Macroeconomic and Fiscal Policy**

Hon Nicola Willis  
**Minister of Finance**

**IN-CONFIDENCE****Treasury Report: Options for the Removing the “Dual Mandate” and Other Changes to the Monetary Policy Regime**

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**Purpose of Report**

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1. The Government, through the coalition agreement between the National Party and the ACT Party for the 54<sup>th</sup> Parliament, has committed to:
  - a narrow the Reserve Bank’s remit, to focus on price stability, and take advice on replacing “medium term” with specific time targets, and
  - b amend the Reserve Bank of New Zealand Act 2021 (the Act) to remove the dual mandate and take advice on removing the Treasury observer and returning to a single decision maker model.
2. This report sets out two options for meeting your commitments for monetary policy, either of which may be achieved within the Government’s first 100 days.
  - a **Introduction of a Bill** to amend the Reserve Bank of New Zealand Act 2021 to remove the economic objective to support maximum sustainable employment, with subsequent consideration of advice on matters relating to the medium-term focus of price stability, the Treasury observer, and the decision making model for monetary policy. Such matters may, for example, be considered following a broader review of the Monetary Policy Committee’s (MPC’s) conduct and decision making.
  - b **Issuance of a new MPC Remit** to increase the weighting of the economic objective to achieve price stability relative to the economic objective to support maximum sustainable employment, with advice provided on matters relating to the medium-term focus of price stability, the Treasury observer, and the decision making model for monetary policy ahead of the introduction of any Bill to amend the Reserve Bank of New Zealand Act 2021. **This is our recommended approach.**

**Background**

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***At present, monetary policy must be formulated according to two economic objectives...***

3. Section 117 of the Act requires that monetary policy is formulated according to the dual economic objectives of:
  - a achieving and maintaining stability in the general level of prices over the medium term, and
  - b supporting maximum sustainable employment (MSE).
4. To achieve the policy intentions of your coalition agreement, a new MPC Remit will need to be issued regardless of whether a legislative option is progressed ahead of, or subsequent to, this new Remit. Section 122 of the Act requires that you take all reasonable steps to ensure that a Remit for the MPC is in force at all times.
5. The MPC Remit sets out the operational objectives for carrying out the function of formulating monetary policy. The MPC Remit must therefore not be inconsistent with the economic objectives set out above, although you have scope, under section 123 of the Act, to include in the Remit a target or targets for an economic objective, and to provide a framework for weighting the objectives.

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6. The MPC Remit must be reviewed every 5 years, with the first Remit review being completed earlier this year. Nonetheless, you may issue a new MPC Remit at any time (whether or not any Remit advice has been given), although the Reserve Bank must be consulted before any new MPC Remit is issued.

***...reflecting New Zealand's flexible inflation targeting approach...***

7. Under flexible inflation targeting, the central bank has the primary aim of stabilising inflation in line with the inflation target in the medium term, while having regard to stabilising the real economy in the short term. When the "dual mandate" was introduced, the Treasury saw this as formalising New Zealand's *de facto* flexible inflation targeting regime, which has been in place since at least the mid-2000s and is characteristic of modern central banks. Arguably, the short-run trade-offs of monetary policy have long been recognised, albeit with a shift of emphasis over time.
8. We believe that flexible inflation targeting continues to deliver significant macroeconomic benefits to New Zealand by allowing the Reserve Bank to avoid exacerbating short-term fluctuations in the economic cycle. Moreover, outside of major negative supply shocks, inflation and MSE objectives generally point towards the same broad monetary policy stance (as has been the case over the past few years, with the recent spike in inflation coinciding with employment being above its maximum sustainable level).

***...although flexible inflation targeting may be maintained without the dual mandate***

9. There are multiple ways that a flexible inflation targeting arrangement can be maintained, without explicitly requiring consideration of MSE. For example, under a single mandate to achieve and maintain price stability, the MPC can still be required to seek to avoid unnecessary instability in economic output, interest rates and the exchange rate, as was the case in many of the Policy Target Agreements agreed under the Reserve Bank of New Zealand Act 1989.
10. In the long run, monetary policy has only a limited impact on the level of employment, though a significant impact on the rate of inflation. As a short-run consideration, MSE should not come at the cost of price stability in the medium term.
11. We are therefore supportive of a model that more clearly prioritises achieving price stability over supporting MSE, as proposed in your coalition agreement.

**Key Decision**

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12. A decision is needed on the pathway by which you will achieve your coalition commitments related to New Zealand's monetary policy regime.
13. Specifically, you could:
  - a **introduce a Bill** within 100 days (and subsequently issue a new Remit, upon the passage of the Bill) to amend the Act to remove the economic objective of supporting maximum sustainable employment (MSE), while maintaining the medium-term focus of the price stability objective and the current approach to the Treasury observer and decision making model of the MPC.

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This approach would allow you to achieve the National Party's pre-election commitment to introduce legislation within 100 days to remove the Reserve Bank's dual mandate. On the other hand, introducing a Bill as soon as possible to remove the dual mandate would require separate consideration of matters related to the medium-term focus of price stability, the Treasury observer, and the decision making model for monetary policy. Depending on your decisions on these matters, a second Bill may be required.

- b **issue in the first instance a new MPC Remit only (recommended)** requiring the MPC to place greater weight on its price stability objective relative to MSE, such that MSE becomes a secondary objective.

Issuing a new MPC Remit ahead of a possible Bill would allow you to consider all options for amending to the Act in an integrated way, following the consideration of further advice on matters relating to the medium-term focus of price stability, the Treasury observer, and the decision making model for monetary policy. This ensures the Act needs to be amended only once to reflect your desired changes to New Zealand's monetary policy regime. Depending on the nature and timing of decisions, and the detail of advice sought, it may be possible to introduce legislation within 100 days. Nonetheless, increasing the scope and complexity of possible changes to the Act necessarily increases the time required ahead of a Bill's introduction.

14. Our recommendation is that your objective to prioritise price stability over MSE is achieved through the issuance of a new MPC Remit alone in advance of the consideration of advice on matters related to the medium-term focus of price stability, the Treasury observer, and the decision making model for monetary policy.
15. In making this recommendation, we have considered:
- a **Optionality** – issuing a new MPC Remit now does not restrict your ability to remove the economic objective to support MSE from the Act following your consideration of advice on other monetary policy matters you wish to consider (the medium-term focus of price stability, the role of the Treasury observer, and the decision making model for monetary policy).
- b **The achievement of your policy objective** – we believe that, at this time, issuing a new MPC Remit would send a sufficiently clear signal of the importance of price stability for monetary policy. Although MSE is now considered as part of the decision making process, the dual mandate has not made a material difference to the outcomes of monetary policy decisions since its introduction, according to the Reserve Bank. This is largely because the two economic objectives (price stability and MSE) are aligned over time. Similarly, therefore, removing the dual mandate from the Act would unlikely alter the general stance of future monetary policy decisions except for in the rare circumstances where these objectives may be misaligned.
- c **Consistency over time** – we put significant weight on the value of a stable and enduring legislative regime for the Reserve Bank.<sup>1</sup> In our view, it is preferable to use the MPC Remit to provide guidance on the economic objectives of monetary policy, rather than for Governments to change the Act. If amending the Act, it is preferable that this is done only once, in a coordinated way.
- d **Timing and efficiency of each option** – issuing a new MPC Remit is by far the quickest and least-intensive way to ensure a clear prioritisation of price stability, and ensuring only one Bill is introduced to amend the Act increases the resources available for the delivery of other Government priorities.

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<sup>1</sup> A post-implementation review of the Reserve Bank Act 2021 is due by the end of 2027.  
T2023/2001 Options for the Removing the "Dual Mandate" and Other Changes to the Monetary Policy Regime

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- e **International best practice** – in recent years, there has been a trend towards the adoption (and retention) of dual mandates for central banks. While a small number of central banks have price stability as their sole economic objective, a larger number of central banks have a dual mandate that equally weights price stability and employment objectives (including the US Federal Reserve) or a dual mandate that sets out employment as a secondary objective. The March 2023 review of the Reserve Bank of Australia, for example, recommended in favour of formalising a dual mandate (as opposed to a triple mandate, which includes “economic prosperity”), and the Bank of Canada is now required to “actively seek the level of maximum sustainable employment when conditions warrant” (although this falls short of a dual mandate *per se*).<sup>2</sup>
16. Although a new Remit may put higher weight on the price stability objective (e.g. by explicitly making the MSE objective “subject to” price stability), the dual mandate cannot be removed entirely through a new Remit alone. Should you wish to more clearly signal your commitment to price stability by removing the MSE objective entirely in the near term (i.e., within the first 100 days of the Government), in order to demonstrate your commitment to the prioritisation of price stability, we recommend that you achieve this through a Bill to amend the Act, and return to matters related to the medium-term focus of price stability, the Treasury observer, and the decision making model for monetary policy after the introduction of this Bill.

## Considerations

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### **100-day action: Bill or MPC Remit**

17. We believe that there is value in providing clarity to the market as to how monetary policy will be formulated in situations where there are trade-offs between achieving price stability and supporting maximum sustainable employment in the short term. The Reserve Bank shares this view. We believe that this clarity can be achieved either through a Bill to amend the Act to remove the MSE objective, or through the issuance of a new MPC Remit to put greater emphasis on the price stability objective (while keeping the objective to support MSE).
18. There are strong reasons why you might wish to achieve your commitment through the introduction of a Bill. In particular, the MSE objective may not be removed through a new Remit alone. In order to “remove the dual mandate”, primary or secondary legislation is required.<sup>3</sup> Introducing legislation to remove the dual mandate will be a more enduring change than a new MPC Remit alone (in the absence of further changes to the Act).
19. Irrespective of the influence that this might have on MPC decision making (relative to issuing a new Remit only), removing the dual mandate from the Act would also provide a stronger signal to the market and public of your Government’s intentions with respect to price stability. This could have the benefit of slightly decreasing inflation expectations in a low-cost way, by signalling a heightened focus on ensuring price stability – and this itself could indirectly help to dampen inflation at the margin. It is possible that some market participants will see a return to a single mandate as strengthening the Reserve Bank’s focus on price stability, and they may adjust their expectations for inflation and interest rates accordingly.

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<sup>2</sup> Bank of Canada Monetary Policy Framework Renewal December 2021.

<sup>3</sup> This is because section 118 of the Act requires the MPC to formulate monetary policy in a manner consistent with both the MPC Remit and the economic objectives. This means that either primary legislation needs to be passed to remove the MSE economic objective from the Act, or an Order in Council needs to be made under section 125 to suspend the MSE objective.

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20. The commercial bank UBS, for example, has suggested that returning to a single mandate “would make it more likely the OCR remains higher for longer in 2024 given the RBNZ’s reaction function would likely be less sensitive to a pickup in unemployment” although, in current circumstances, there is no material trade-off between price stability and employment.<sup>4</sup> Likewise, in their October 2023 special topic on inflation and monetary policy, the International Monetary Fund suggests that “the time it takes inflation to get back to target in an economy depends on the formation of expectations and the central bank’s objectives” and, if double-weighting inflation relative to welfare losses from the output gap in their model, then the central bank would aim to return inflation to target in about 3 years as opposed to 4 years.<sup>5</sup>
21. Prior to the introduction of the dual mandate, however, a comparison of monetary policy responses of the Reserve Bank and the US Federal Reserve (which has a dual mandate) found that monetary policy in the two economies had, over time, “responded to changes in economic activity and inflation in similar ways.”<sup>6</sup>
22. We agree with the Reserve Bank’s Remit Review advice, which concluded that across different price stability and MSE weightings, welfare outcomes can be expected to be broadly similar.<sup>7</sup> Largely, this is because the price stability and MSE objectives have not been in conflict over time. Our recommendation that primacy should be given to the price stability objective reflects that fact that, in future, these two objectives may be in conflict (e.g., in the case of a supply shock), so there is still considerable value in making clear the hierarchy of objectives for decision makers.
23. Notwithstanding the possible positive behavioural responses to removing consideration of MSE from the Act, our recommendation is for a new MPC Remit only at this time (at least in advance of the consideration of advice on the medium-term focus of price stability, the Treasury observer, and the decision making model for monetary policy).
24. A new Remit may be issued to clearly communicate your Government’s expectations to the MPC with respect to the prioritisation of price stability over the MPC’s objective to support MSE. We believe that a clear prioritisation of the two economic objectives in the MPC Remit will generate a similar market response to a Bill – so we see little benefit in acting more quickly to introduce a Bill to remove the dual mandate ahead of your consideration of other monetary policy matters.
25. Largely, this is because the Act already provides for considerable flexibility when a new MPC Remit is issued. Specifically, section 123 of the Act enables to you to specify or provide for:
  - a a target or targets for an economic objective
  - b a framework for weighting the economic objectives
  - c defining any matters in connection with an economic objective, and/or
  - d a requirement for the MPC to have regard to one or more matters in connection with seeking to achieve an economic objective.

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<sup>4</sup> New Zealand Economic Perspectives, 16 October 2023.

<sup>5</sup> October 2023 World Economic Outlook, chapter 2.

<sup>6</sup> AN2018/11 Estimated policy rules for different monetary regimes: Flexible inflation targeting versus a dual mandate (Reserve Bank, November 2018).

<sup>7</sup> Supporting New Zealand’s economic stability (Reserve Bank, April 2023).

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26. Market participants have therefore signalled to us that they see little difference between a change in the Act to remove MSE and a change in the MPC Remit to prioritise price stability more clearly – as monetary policy decisions will, in practice, be similar under either approach. What matters more than the mechanism by which you achieve your 100-day commitment is the strength of the Government's commitment to ensure that the stance of fiscal policy is supporting monetary policy to dampen inflation and inflation expectations, while maintaining the independence of the Reserve Bank to act robustly to return inflation to target.
27. As such, we consider the issuance of a new MPC Remit in the first instance to be **the most effective, straightforward, and quickest way to prioritise price stability** over MSE while maintaining a flexible inflation targeting regime and minimising the frequency of changes to the Act. Issuing a new MPC Remit now, and returning to options for a Bill only following advice on other monetary policy matters, allows you to consider all options for a Bill in an integrated way that also minimises time required in the House.
28. Should you opt to issue a new Remit only in the Government's first 100 days, we are able to provide further advice on options for the MSE objective in the new Remit, as well as other options you have under section 123 of the Act. At the same time, we will provide advice on whether a new MPC Charter is needed.

***Independent review of monetary policy***

29. Prior to the election, you indicated an intention to initiate an independent review of monetary policy, focusing on the performance and conduct of the Monetary Policy Committee (MPC) between 2020 and 2022.
30. We are keen to discuss with you your intentions for this review. Any review will have resourcing implications for the Treasury, commensurate to the scope and scale of the review.
31. In particular, we seek your direction on whether your intention to take advice on the medium-term focus of price stability, the Treasury observer, and the decision making model for monetary policy supplements – or replaces – this intended review. If your intention is that these matters will be considered as part of the review, and that the review will then provide advice on these matters, it may be prudent to issue only a new MPC Remit now and to defer legislative change until following the completion of this review. This would ensure that only one Bill is needed to amend the Act to implement your desired changes to the monetary policy regime. As above, we would recommend that a new MPC Remit is issued in the interim.
32. At this time, we recommend that any independent review of monetary policy is scoped narrowly. It is our view that a deep dive into institutional and legislative settings is not needed, owing to the recency of the Reserve Bank Act Review, which began in 2017. A post-implementation review of the Act is due by 2027. Moreover, we consider that a period of stability for the Reserve Bank is important for market confidence in our institutional settings. Keeping any review narrow will also minimise the extent to which other reviews are duplicated (such as the ongoing NZ Royal Commission of Inquiry into COVID-19 Lessons Learned).

**IN-CONFIDENCE*****Order in Council***

33. If you were to delay the introduction of the Bill, you could progress your commitment “to introduce legislation” through an Order in Council, to remove the MSE objective for up to 12 months while advice is being considered and/or a review is being conducted. Section 125 of the Act allows for an Order in Council to be made to direct the MPC to formulate, and the Bank to implement, monetary policy for only the price stability economic objective.<sup>8</sup> Such an Order in Council would apply for a period not exceeding 12 months (though the Order in Council may subsequently and repeatedly be extended if, for example, your review of monetary policy is ongoing).
34. The benefit of using section 125 of the Act to issue an Order in Council is that the MSE objective may effectively be suspended, and your policy objective to “remove” MSE actioned sooner, pending amendment of the Act (i.e., there are fewer procedural steps to go through with an Order in Council). The process to amend the Act necessarily requires scrutiny by Select Committee (unless it is anticipated that this amendment will be passed under urgency) and Parliament.
35. At this time, we recommend against the use of an Order in Council to achieve your policy objectives. Conversations with a number of market participants from commercial banks, as well as with the Reserve Bank, have signalled to us that the use of an Order in Council is likely to be received poorly.
36. Using an Order in Council may highlight to markets the limits of the Reserve Bank’s independence and create a precedent whereby the Reserve Bank’s objectives are easily overridden (or at least the expectation of such), which could in turn weaken the inflation targeting regime. The practical and perceived independence of the Reserve Bank is seen as highly important to market participants. Use of an Order in Council may also raise concerns among international market participants, many of whom may not fully understand the Reserve Bank’s legislative regime, meaning communicating the benefits of an Order in Council could be challenging for the Government.
37. We believe that the view of section 125 as a reserve “emergency” option for the Government is relatively widely held. Although section 125 is a lawful option here and is still a useful section of the Act for when there might be ongoing divergence between the two economic objectives (e.g., a period of stagflation), we believe that the benefits of an Order in Council at this time do not outweigh the risks.
38. Under the previous Reserve Bank of New Zealand Act 1989, successive Governments avoided exercising the option to “override” monetary policy decision makers via Order in Council (section 12 of the Reserve Bank of New Zealand Act 1989). Nonetheless, the 2021 Act is a new Act, and the explanatory note to the Bill indicated that section 125 (clause 121 in the Bill as introduced) recognised the Crown’s right to determine economic policy.
39. Should you intend to make an Order in Council in order to achieve your coalition commitment, a careful communications strategy will be needed in order to mitigate these risks. Should you wish, we can provide further advice on using an Order in Council to temporarily suspend the MSE objective, as well as options for how you might communicate such a strategy.

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<sup>8</sup> Section 125 of the Act allows an Order in Council – which is secondary legislation – to be made to amend the Act (i.e., section 9 of the Act is temporarily amended when the Order in Council is in force). This means that, although a new Bill is not introduced, the Government would effectively be temporarily removing the MSE via secondary legislation.

**IN-CONFIDENCE*****Consultation requirements***

40. You may issue a new MPC Remit at any time (whether or not any Remit advice has been provided), though you have a duty to consult the Reserve Bank before issuing any new MPC Remit. If an Order in Council is made to suspend the MSE objective (in advance of a Bill), a new MPC Remit will be required. As noted above, a new MPC Remit will also be required if the Act is amended, meaning there is no option to address your commitment without the issuance of a new MPC Remit.
41. Similarly, given that the current MPC Charter sets out reporting requirements for the MPC with respect to the impact of MSE on monetary policy decisions, it may be prudent to agree with the Reserve Bank Governor a new Charter alongside the issuance of a new Remit. Whenever a new Remit is issued, the Act requires that you and the MPC consider whether it is necessary or desirable to concurrently issue a replacement Charter (section 103). This decision will be dependent on whether the new Remit removes the MSE objective (alongside legislation) or only amends the MSE objective, as well as your intention for other matters set out in the Charter (such as the requirement that the MPC assesses the effects of its monetary policy decisions on the Government's objective of supporting more sustainable house prices).

**Next Steps**

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42. We are happy to meet with you to discuss this report and its recommendations. In particular, a decision is needed on the option you wish to progress in order to achieve the commitments set out in your coalition agreement. Following your decision, the Treasury will progress the next steps necessary for implementation.
- a **Introduction of Bill within 100 days:** The Treasury will prepare the necessary policy Cabinet paper for consultation and approval as soon as possible, and work with the Parliamentary Counsel Office to prepare the drafting of the Bill so that this is ready for introduction within 100 days (the Bill itself will need to be approved by Cabinet, prior to its introduction to the House). A new Remit (and possibly Charter) will only be prepared following the Bill's introduction, to be put in place at the time that the Bill is enacted.
- Subsequent to the introduction of the Bill, the Treasury can provide you with advice on options for the medium-term focus of price stability, the Treasury observer, and the decision making model for monetary policy and/or such advice can be provided through the findings and recommendations of an independent review of the MPC's conduct and decision making.
- b **Remit within 100 days [Treasury's recommendation]:** The Treasury will, within the next few weeks, prepare a new MPC Remit (and possibly Charter) for your approval and for consultation with the Reserve Bank, to be followed by a paper for Cabinet to confirm the changes. At the same time, the Treasury will work with you to confirm the timing and scope of advice on options for the medium-term focus of price stability, the Treasury observer, and the decision making model for monetary policy.

**IN-CONFIDENCE****Annex 1: Implementing Your Decision**

Our next briefing to you on this topic will set out in more detail the key milestones for implementing your initial decision. Table 1 below details, broadly, the implementation process for a new MPC Remit, Order in Council, and Bill, respectively.

**Table 1: Implementing your decision**

<b>Remit</b>	<b>Order in Council</b>	<b>Bill</b>
<ul style="list-style-type: none"> <li>• A new MPC Remit may be issued at any time, regardless of whether any advice on the Remit has been provided</li> <li>• The Reserve Bank needs to be consulted before a new Remit is issued</li> <li>• Cabinet will need to be informed that a new Remit is to be issued</li> <li>• Once a new Remit is issued, this must be notified in the <i>Gazette</i> and a copy presented to the House</li> <li>• Whenever a new Remit is issued, you and the MPC need to consider whether it is necessary or desirable to concurrently issue a replacement Charter</li> </ul>	<ul style="list-style-type: none"> <li>• An Order in Council may be made by the Governor-General, on the advice of the Minister</li> <li>• A Cabinet paper for the policy changes to be approved will need to be prepared as soon as possible following the decisions required by this report</li> <li>• PCO will be provided drafting instructions for the Order in Council by the Treasury</li> <li>• Drafting of Order in Council</li> <li>• A paper for LEG/Cabinet will be drafted by the Treasury</li> <li>• Confirmation is required by LEG/Cabinet, and the Order in Council will then be submitted to the Executive Council for approval</li> <li>• Notification in the <i>Gazette</i></li> <li>• Unless a waiver to the 28-day rule is granted, the Order in Council will come into effect at least 28 days following notification in the <i>Gazette</i></li> <li>• A careful communications strategy would be needed to mitigate the risk that use of an Order in Council is perceived as limiting the Reserve Bank's independence</li> </ul>	<ul style="list-style-type: none"> <li>• Inclusion and prioritisation of Bill in Legislation Programme</li> <li>• A Cabinet paper for the policy changes to be approved – as soon as possible following decisions required by this report</li> <li>• PCO will be provided drafting instructions by Treasury if a legislative option is to be progressed</li> <li>• Drafting of legislation and completion of accompanying requirements (e.g., New Zealand Bill of Rights Act 1990 [BORA] vetting)</li> <li>• A paper for LEG with the Bill</li> <li>• LEG/Cabinet agree to introduce the Bill</li> <li>• Introduction of Bill in the House</li> </ul>

## IN-CONFIDENCE



TE TAI ŌHANGA  
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## Treasury Report: External Review of Monetary Policy

<b>Date:</b>	2 February 2024	<b>Report No:</b>	T2023/2017
		<b>File Number:</b>	MC-1-2

### Action sought

	Action sought	Deadline
Hon Nicola Willis <b>Minister of Finance</b>	<b>Provide feedback</b> on the proposed scope, basis for the review and reviewers	16 February 2024
Hon David Seymour <b>Associate Minister of Finance</b>		

### Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Neil Kidd	Principal Advisor, Macroeconomic and Fiscal Policy	s9(2)(k)	N/A (mob) ✓
Ben Gaukrodger	Manager, Macroeconomic and Fiscal Policy	s9(2)(g)(ii)	

### Minister's Office actions (if required)

**Return** the signed report to Treasury.

**Set up** a meeting for the Minister(s) with Treasury officials.

**Send** the attached letter to the Chair of the Bank, Neil Quigley, and Governor, Adrian Orr.

Note any  
feedback on  
the quality of  
the report

**Enclosure:** Yes

**IN-CONFIDENCE****Treasury Report: External Review of Monetary Policy**

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**Executive Summary**

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This report provides you with initial advice on establishing an external review of monetary policy. We understand that the review is to be focussed primarily on the performance of the Monetary Policy Committee (MPC) during the period 2020 to 2022, including the Reserve Bank of New Zealand's (the Bank's) role in the implementation of monetary policy. It would not cover the performance of the Bank against its other functions or possible institutional reform options.

We recommend that the terms of reference for the review should include a clearly-defined scope that lists a number of topics that the reviewer should provide a view on. To maximise the value and manage the duration and cost of the review, the length of the review should be time-limited (e.g. 4 months) and the nature of the report should be specified, including a page limit.

We recommend that the review be established under section 194 of the Reserve Bank of New Zealand Act 2021 (the Act), which allows the responsible Minister to review the operations and performance of the Bank at any time. The Act requires the Minister to consult the Bank about the purpose and nature of the review and consider its submissions.

Depending on your feedback, the Treasury will consult with the Bank and provide you with a draft terms of reference and options for an independent reviewer(s) to lead the review. We have attached a draft letter that the Minister of Finance could send to the Bank to begin the consultation.

**IN-CONFIDENCE****Recommended Action**

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We recommend that you:

- a **Agree** that the terms of reference for the review should include a clearly-defined scope listing a number of topics that the reviewer should provide a view on, and that the length of the review should be time-limited [**Treasury Recommended**, referred to as option 1 in the body of this report.

Minister of Finance

Associate Minister of Finance

*Agree / disagree*

*Agree / disagree*

OR

**Agree** that the review should be an assessment of the Review and Assessment of the Formulation and Implementation of Monetary Policy (RAFIMP), published by the Bank [option 2].

*Agree / disagree*

*Agree / disagree*

- b **Agree** that the review will not provide recommendations for changes to the institutional framework, such as whether to retain a Monetary Policy Committee.

*Agree / disagree*

*Agree / disagree*

- c **Meet** with Treasury officials to discuss the approach to the external review.

*Agree / disagree*

*Agree / disagree*

- d **Agree** that the Treasury should begin consultation with the Bank and provide you with follow-up advice containing a draft terms of reference, a shortlist of candidates to lead the review for your consideration, and further advice on estimated timeframes for undertaking the review.

*Agree / disagree*

*Agree / disagree*

- e **Agree** that the Minister of Finance send the attached draft letter to the Bank, incorporating any feedback you have.

*Agree / disagree*

*Agree / disagree*

**IN-CONFIDENCE**

Ben Gaukrodger  
**Manager, Macroeconomic and Fiscal Policy**

Hon Nicola Willis  
**Minister of Finance**

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Hon David Seymour  
**Associate Minister of Finance**

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**IN-CONFIDENCE****Treasury Report: External Review of Monetary Policy**

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**Purpose of Report**

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1. This report seeks your agreement to commission an external review to consider the performance of the Bank in fulfilling its monetary policy role during 2020 to 2022.

**Background**

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2. During the period from 2020 to 2022, there were significant economic challenges caused by the COVID-19 pandemic. In response to these economic challenges, the MPC took unprecedented monetary policy actions including:
  - reducing the Official Cash Rate (OCR) to 0.25%
  - holding the OCR at 0.25% for 12 months, and
  - implementing Additional Monetary Policy (AMP) tools.<sup>1</sup>
3. From early 2021, inflation began to rise sharply in New Zealand, and has been persistently in excess of the MPC's inflation target. Although the rise in inflation partly reflects supply-side factors (disruptions associated with COVID-19 and the Russian invasion of Ukraine), estimates by the Treasury indicate that the rise in inflation can also be attributed to strong aggregate demand. This outcome was observed in most advanced economies and was in part reflective of a deliberate strategy to minimise the likelihood of worst-case scenarios for the economy, given significant uncertainty about the impacts of COVID-19.
4. Implementing AMP tools had a significant financial impact. AMP tools led to significant growth in the Bank's balance sheet: from total assets of \$42.3 billion pre-COVID-19 to \$88.9 billion as at 30 June 2023. This has resulted in significant direct losses (totalling around \$10.4 billion as at December 2023) on the Bank's balance sheet arising from the Large Scale Asset Purchase programme. These losses have been indemnified by the Crown. There will also have been indirect fiscal impacts (e.g. higher tax revenue) as a result of the MPC providing additional monetary stimulus, which may have offset these costs to some extent.
5. As required by the Act, the Bank published the Review and Assessment of the Formulation and Implementation of Monetary Policy (RAFIMP), which included an assessment of monetary policy performance between 2020 and 2022. This review was commissioned and signed-off by the newly-formed Board, which has responsibility for assessing MPC performance. The Bank commissioned two independent experts to provide peer review: Lawrence Schembri, a former Deputy Governor of the Bank of Canada and Professor Warwick McKibbin, an Australian academic with extensive experience in central banking topics.

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<sup>1</sup> Large Scale Asset Purchase (LSAP) Programme: Lowering long-term interest rates in the economy and supporting market liquidity through bond purchases; Funding for Lending Programme (FLP): Lowering market interest rates by reducing bank funding costs; Term Lending Facility (TLF): Providing low-cost funding for banks.

**IN-CONFIDENCE****Proposed purpose and scope of the external review**

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6. We recommend that the purpose of the review be to provide an independent perspective on the MPC's performance during 2020 to 2022 and to provide lessons for future periods of instability.
7. There will be a trade-off between the scope of the review and the cost and timeframes for completing it. Accelerating work on a review will be supported by the recent publication of the RAFIMP, which provides a strong base of analysis and information for the external review to draw on.

**Scope options for the external review**

8. We think there are two practical ways that the review could be specified:
9. **Option 1 (recommended):** Specify a detailed terms of reference, listing a number of topics that the reviewer should provide a view on and setting out the process for the review. In order to limit the time and cost of the review, we would specify a timeframe (e.g. 4 months) and specify the nature of the report, including a page limit. A longer, more comprehensive review would be possible, but we do not think this would justify the cost.
10. The following topics could constitute the substantive content of a draft Terms of Reference, which we would provide to the Bank as part of consultation on the review. The terms of reference would request the reviewer to evaluate:
  - The way the MPC formulated monetary policy in a manner consistent with the economic objectives and Remit in the time period 2020 to 2022. This should be broken down into at least two time periods – covering the decisions to provide monetary stimulus and, later, recognising and responding to signals of excess demand.
  - The MPC's selection of policy instruments, including the use of additional monetary policy tools and the effectiveness of these tools.
  - How fiscal and financial policy actions were taken into account in setting the appropriate monetary stance.
  - The communication of monetary policy: whether the MPC's communication of monetary policy decisions to the public and financial markets is as simple, clear and effective as possible.
  - The quality of the information provided to the MPC to guide its decision-making, including data, written advice, and forecasting.
  - The preparedness of the Bank to implement AMP tools in a timely fashion.
  - The effectiveness of the Bank's processes for operationalising AMP tools.
  - The appropriateness of the Bank's governance and risk management framework for the use of AMP tools.

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11. **Option 2:** the reviewer would be required to conduct a review of the findings of the RAFIMP. The reviewer would have access to Bank staff. The RAFIMP covered the formulation and implementation of monetary policy between 2017 and 2022, although the terms of reference would specify that the period of interest is 2020 to 2022. The terms of reference would specify that the reviewer should not look to duplicate the work of the RAFIMP but to provide an independent perspective on its findings and areas for improvement. This option would not specify a list of topics, as in option 1. However, this option would effectively require the reviewer to take a view on most of the topics in option 1 above with the possible exception of the final two bullets, which the RAFIMP did not discuss.
12. We think this would meet your objective to provide an independent assessment of the performance of the MPC. It would cover most of the topics of interest and would be a quick and cost-effective way to meet your commitment.

**Scope exclusions**

13. We propose that the scope of the review would explicitly exclude institutional reforms, in particular whether to return to a single decision-maker, the role of a Treasury observer or specifying a timeframe to help define 'medium-term' price stability. Nevertheless, some of the conclusions of the review could help inform these decisions.
14. We propose that Treasury and the Bank would provide advice on these institutional reforms in 2024. However, if you wanted an additional view on these possible reforms – beyond that from the Treasury and the Bank – we would provide further advice about how this could be accommodated in this review, rather than creating an additional review at a later date.
15. The scope of the review would not cover the other functions of the Bank. We recommend that the performance of individual members – as opposed to the performance of the MPC as a whole – is outside of scope. Their performance is assessed by the Board, which has responsibility to regularly review the performance of the MPC and each of its members.

**Timing and resourcing**

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16. We anticipate that the Treasury would play a role in providing secretariat support for the lead reviewer(s) (for example, management of stakeholder relationships) and any necessary legal support.
17. We think that a review based on option 1 above, subject to the availability of appropriate reviewers, could have a draft report by approximately the end of June/July 2024 and a final report by approximately the end of August 2024.
18. We think an option 1 review would likely cost in the range of \$200,000 to \$500,000 depending on the number of reviewers and the amount of support from the Bank and Treasury that is provided as opposed to externally sourced. There would be additional costs for Treasury and the Bank. Any costs incurred before the end of June 2024 can be funded from within Treasury baselines. It is likely that Treasury will require additional funding for any work beyond June 2024. Once we have your feedback and have made progress on identifying reviewers and timeframes, we can provide an updated estimate of the cost and any funding implications.
19. An option 2 review, with a single reviewer, would be significantly cheaper – in the range of \$20,000 to \$40,000 and would likely take around one to two months to report.

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20. The Treasury would be able to fund an option 1 or option 2 review completed by the end of August 2024. The Treasury would likely require additional funding if there were a broader scope or an extended timeframe. We can provide you with advice to scale up or down any of the options.

**Form of review**

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21. We recommend that the review be established under section 194 of the Act. This provides that “The Minister may review the operations and performance of the Bank at any time.” It requires that before a Minister undertakes a review, the Minister must consult the Bank on the purpose and nature of the review and consider any submissions made by the Bank. While we have engaged with the Bank in preparing this advice, further engaging with the Bank on the terms of reference and reviewers would be beneficial. The Bank must take all reasonable steps to cooperate with the review.
22. As the section 194 review power is provided for in the Act, it is the most obvious way to establish the review. Alternatively, you could undertake a non-statutory review into the MPC’s performance i.e. you do not invoke section 194 of the Act. There are few requirements before establishing this type of review, other than to seek the approval of the Prime Minister and to inform Cabinet. If you were to establish a non-statutory review, we would still recommend consulting the Bank prior to establishing the review and seeking their submissions.
23. Whether the review is statutory or non-statutory, you would also need to act consistently with administrative law principles, such as following a fair process and principles of natural justice. In due course you may also want to consider whether to share the draft findings with the Bank for their comment.
24. We do not recommend a statutory inquiry under the Inquiries Act, such as a Royal Commission, public inquiry or government inquiry. The main advantage of a statutory inquiry of this kind is that this would confer statutory powers to produce evidence and comply with the inquiry. However, this advantage seems less important in this situation as the review would be highly technical and we would expect good engagement from participants.
25. Regardless of the form of the review, it is appropriate to notify Cabinet of the agreed terms of reference, lead reviewer and timeframe and seek agreement to funding, if required.

**Selecting the independent reviewer/panel**

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26. We recommend a panel of 3 reviewers in order to provide a range of perspectives. We recommend that a high priority is placed on appointing individuals who have strong expertise in monetary policy. This will ensure that the process provides insights for future decisions concerning the monetary policy framework, and in light of the technical nature of monetary policy as a field. Ideally, this would include having been a part of a decision-making body for monetary policy within a central bank.

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27. It will also be important that the individuals are able to take an impartial and objective approach to the review. We recommend seeking to avoid individuals who have a recent history of working in, reviewing, or commenting on the Bank's monetary policy decisions and framework, and / or individuals that were closely involved in making similar decisions as part of COVID-19 response in other countries. Appointing from overseas would support impartiality. We think it is likely that New Zealand based reviewers with the relevant expertise would have conflicts of interest. Nonetheless, we have included some New Zealand based names below.
28. We welcome your views if you have individuals in mind and would welcome a discussion with you ahead of providing a short-list of names for your consideration.

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29. The following provides a draft list of names for your consideration.

Type of candidate	Illustrative candidates
Overseas candidates with central banking or academic focus	<ul style="list-style-type: none"> <li>• s9(2)(a)</li> <li>• [Redacted]</li> <li>• [Redacted]</li> <li>• Andrew Haldane, former Assistant Governor of the BoE, now Head of the Royal Society</li> <li>• s9(2)(a)</li> <li>• [Redacted]</li> <li>• [Redacted]</li> <li>• Renée Fry-McKibbin, Professor of Economics at the Crawford School of Public Policy, Australian National University</li> <li>• Ben Bernanke, former Federal Reserve chair with strong academic background</li> <li>• s9(2)(a)</li> <li>• [Redacted]</li> <li>• [Redacted]</li> <li>• [Redacted]</li> </ul>
In academia, located in New Zealand	<ul style="list-style-type: none"> <li>• Arthur Grimes, Professor of Wellbeing and Public Policy at Victoria University of Wellington, Senior Fellow at Motu, former Reserve Bank Board Chair and current member of the shadow MPC at NZIER.</li> <li>• s9(2)(a)</li> </ul>
Former senior staff of RBNZ	<ul style="list-style-type: none"> <li>• s9(2)(a)</li> <li>• [Redacted]</li> <li>• Alan Bollard, retired former Governor</li> </ul>

**IN-CONFIDENCE****Next Steps**

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30. Once you have provided feedback on the issues in this report, and subject to your agreement, we will undertake the following steps:

Minister's office to send letter to Bank, Treasury to consult with the Bank	W/b 19 February
Discuss reviewers with you	W/b 19 February
Following discussion, Treasury to contact potential reviewers	W/b 19 or 26 February
Further advice finalising terms of reference and shortlist of available reviewers, draft Cabinet paper	W/b 11 March

## Hon Nicola Willis

Minister of Finance  
Minister for the Public Service  
Minister for Social Investment  
Associate Minister of Climate Change



[Neil.Quigley@rbnz.govt.nz](mailto:Neil.Quigley@rbnz.govt.nz)  
[Adrian.Orr@rbnz.govt.nz](mailto:Adrian.Orr@rbnz.govt.nz)

Cc [David.Seymour@parliament.govt.nz](mailto:David.Seymour@parliament.govt.nz)

Dear Neil and Adrian

### **Re: Consultation on an external review of monetary policy**

During the period from 2020 to 2022, there were significant economic challenges caused by the COVID-19 pandemic. In response to these economic challenges, the Monetary Policy Committee (MPC) took unprecedented monetary policy actions.

The Reserve Bank of New Zealand (the Bank) published the Review and Assessment of the Formulation and Implementation of Monetary Policy, which included an assessment of monetary policy performance between 2020 and 2022. Whilst the Bank did commission independent experts to provide peer review, this review was not independent of the Bank.

As such, the Associate Minister of Finance, Hon David Seymour, and I are considering an external review to provide the Government with an independent perspective on the MPC's performance during 2020 to 2022. This will ensure there is appropriate transparency over the MPC's performance during a period of significant economic challenges and help identify lessons for any future episodes of instability.

We are considering undertaking the review under section 194 of the Reserve Bank of New Zealand Act 2021. We have asked the Treasury to act on our behalf in consulting the Bank on the purpose and nature of the review. Treasury officials will contact you and work with the Bank on next steps including work to establish terms of reference and timelines.

Yours sincerely

Hon Nicola Willis  
**Minister of Finance**

## IN CONFIDENCE



TE TAI ŌHANGA  
THE TREASURY

## Treasury Report: Independent review of monetary policy: terms of reference and potential reviewers

<b>Date:</b>	15 May 2025	<b>Report No:</b>	T2025/1230
		<b>File Number:</b>	MC-1-3-2-M118341

### Action sought

	Action sought	Deadline
Hon Nicola Willis <b>Minister of Finance</b>	<p><b>Provide</b> feedback on the draft terms of reference for the independent review of monetary policy.</p> <p><b>Indicate</b> 5-7 reviewers you consider suitable to lead the review.</p> <p><b>Consult</b> the Reserve Bank on the nature and purpose of the review.</p>	20 May 2025

### Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Sam Thornton	Senior Analyst, Macroeconomic and Fiscal Policy	s9(2)(k)	N/A (mob) ✓
Ben Gaukrodger	Manager, Macroeconomic and Fiscal Policy	s9(2)(g)(ii)	

### Minister's Office actions (if required)

**Return** the signed report to Treasury.

**Send** the attached letter, draft terms of reference and list of suitable reviewers to the Reserve Bank for consultation.

Note any feedback on the quality of the report

**Enclosure:** Yes

**IN CONFIDENCE****Treasury Report: Independent review of monetary policy - terms of reference and potential reviewers**

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**Executive summary**

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This report responds to your request for further advice on the establishment of an independent review of monetary policy (the Review).

Proposed terms of reference for the Review are attached to this report for your feedback. The terms of reference focus on decisions by the Monetary Policy Committee (MPC) and analysis provided by the Reserve Bank to support those decisions during the period 1 January 2020 through 31 December 2022. The scope includes forecasts, decision-making strategies, use of Additional Monetary Policy (AMP) tools, communications and forward guidance, and the interaction of monetary and fiscal policy. We also recommend the Review assesses relevant aspects of monetary policy implementation that may be outside the MPC's specific functions, including preparation to implement a negative Official Cash Rate (OCR) prior to 2020 and design choices for the Large Scale Asset Purchase (LSAP) programme.

The selection of an internationally regarded monetary policy expert to lead the Review will be key to its credibility and influence. We recommend you select several (5-7) reviewers you would be comfortable with so the Treasury can immediately begin sounding-out their interest and availability. A list of suitable reviewers with strong monetary policy expertise who we consider would be impartial and objective is attached to this report. We expect it will be challenging to find a suitable reviewer with availability in the timeframes of the Review. We will provide further advice on timeframes for the Review once we have tested the availability of preferred reviewers.

We recommend you establish the Review under section 194 of the Reserve Bank of New Zealand Act 2021 (the Act). Under section 194, you may review the operations and performance of the Reserve Bank at any time (the MPC being a committee of the Reserve Bank). A review under section 194 requires the Reserve Bank to take all reasonable steps to co-operate with the review. You are required to consult the Reserve Bank on the purpose and nature of a section 194 review and to consider the submissions made by the Reserve Bank. A draft letter to send to the Chair of the Reserve Bank Board and the Governor of the Reserve Bank is attached to this report.

A draft Cabinet paper is attached for your initial feedback. We will provide you with a revised Cabinet paper that incorporates your feedback for Ministerial and Coalition consultation.

Funding for the Review is available via an expense transfer of \$0.500 million from 2023/24 into 2024/25. The Treasury will seek approval for any unspent funding in the 2024/25 year to be transferred into 2025/26 as part of the October Baseline Update. The funding is intended to cover the fees of the reviewer, any additional external analysis required, and independent external legal counsel to support the reviewer. The Treasury will provide secretariat services to the Review within baselines.

The Treasury is available to discuss any matters in this report at the Weekly Agency Meeting on 20 May 2025.

**IN CONFIDENCE****Treasury Report: Independent review of monetary policy - terms of reference and potential reviewers**

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**Purpose of report**

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1. This report seeks decisions on the establishment of the independent review of monetary policy (the Review), including the proposed terms of reference of the Review and potential reviewers.

**Background**

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2. You have asked for support establishing an independent review of monetary policy decisions, to be completed within the term of the temporary Governor of the Reserve Bank. The Review is an opportunity to gain an independent perspective on the Monetary Policy Committee's (MPC) performance during the COVID-19 period and to provide lessons for future periods of instability.<sup>1</sup>
3. The Treasury provided advice on the establishment of such a review in late 2023 (T2023/2017 refers). In that previous advice, we recommended a time-limited review with a clearly defined scope that lists a number of topics to be considered. Although no decisions were made to commission a review or on its scope at that time, such an approach is the basis of this advice.
4. During the period from 2020 through 2022 there were significant economic challenges caused by the COVID-19 pandemic. In response to these economic challenges, the MPC took unprecedented monetary policy actions including:
  - reducing the Official Cash Rate (OCR) to 0.25%
  - holding the OCR at 0.25% for 12 months, and
  - using Additional Monetary Policy (AMP) tools for the first time.
5. From early 2021, inflation began to rise sharply in New Zealand, and was persistently in excess of the MPC's inflation target until the 2024 September quarter. Although the rise in inflation partly reflected supply-side factors (for example, supply chain disruptions associated with COVID-19 and Russia's invasion of Ukraine), estimates by the Treasury indicate that the rise in inflation can also be attributed to strong aggregate demand related to both monetary and fiscal stimulus.<sup>2</sup> This outcome was observed in most advanced economies and was in part reflective of a deliberate strategy by both the MPC and the Government to minimise the likelihood of worst-case scenarios for the economy, given significant uncertainty about the impacts of COVID-19.

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<sup>1</sup> The Reserve Bank's 2022 *Review and Assessment of the Formulation and Implementation of Monetary Policy* assessed monetary policy performance between 2020 and 2022. While the review was peer reviewed by two independent experts, the review itself was not independent of the Reserve Bank.

<sup>2</sup> In 2023 the Treasury published a special topic on its website that decomposed the recent episode of high inflation into supply and demand drivers.

**IN CONFIDENCE**

6. Implementing AMP tools had a significant financial impact. AMP tools led to significant growth in the Bank's balance sheet: from total assets of \$42.3 billion pre-COVID-19 to \$88.9 billion as at 30 June 2023. Because interest rates increased faster than anticipated, this has resulted in direct losses (totalling around \$10.4 billion as at the end of April 2025) on the Reserve Bank's balance sheet arising from the Large Scale Asset Purchase programme. These losses have been indemnified by the Crown. There will also have been indirect fiscal impacts (e.g. higher tax revenue) as a result of the MPC providing additional monetary stimulus, which may have offset these costs to some extent.

### Objective and form of the Review

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7. We recommend that the purpose of the Review be to provide an independent perspective on the MPC's performance during 2020 to 2022 and to provide lessons for future periods of instability.
8. We recommend you establish the Review under section 194 of the Reserve Bank of New Zealand Act 2021 (the Act). Under section 194, you may review the operations and performance of the Reserve Bank at any time (the MPC being a committee of the Reserve Bank). A review under section 194 requires the Reserve Bank to take all reasonable steps to co-operate with the review. You are required to consult the Reserve Bank on the purpose and nature of a section 194 review and to consider the submissions made by the Reserve Bank.
9. Compared to a statutory inquiry under the Inquiries Act 2013 (e.g. Royal commission, public inquiry or government inquiry), the main limitation of a section 194 review is that participation is voluntary for parties other than the Reserve Bank and current MPC members. For example, a section 194 review provides no powers to compel the participation of former Reserve Bank staff or former MPC members. As such, maintaining perceptions of fairness and impartiality, including through the terms of reference, selection of a credible reviewer, and your public communications, will be important to support voluntary participation. We do not think the non-participation of some former MPC members would prevent a successful Review as the Reserve Bank holds extensive written material that was provided to the MPC.<sup>3</sup>

### Proposed terms of reference

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10. This section outlines the main choices you have about the scope of the Review, and the Treasury's recommended approach. Noting that you may review the operations and performance of the Reserve Bank under section 194, you have choices about the topics to be covered by the review, but there is a trade-off between the scope of the review and the cost and timeframes for completing it. Proposed draft terms of reference for the Review are attached to this report.

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<sup>3</sup> Interviews with MPC members during the period under review, and potentially some Reserve Bank staff, will likely be valuable to understanding the MPC's decision-making. We understand from the Reserve Bank that there are no minutes of MPC deliberations other than the publicly available summary record of each MPC decision round.

**IN CONFIDENCE***Focus and period under review*

11. We recommend the Review focuses on decisions by the MPC, and analysis provided by the Reserve Bank to support those decisions, during the period 1 January 2020 through 31 December 2022. The proposed review period runs from 1 January 2020, around when COVID-19 began to be recognised as an economic risk, through to the end of 2022, by which time most COVID-19 restrictions had ended and the MPC had responded to elevated inflation. We also recommend the review period extends back to the MPC's establishment on 1 April 2019 when considering preparations for the event of reaching the effective lower bound on interest rates.

*Matters related to monetary policy formulation*

12. The terms of reference focus the Review on the MPC as it has statutory responsibility for formulating monetary policy. However, some aspects of monetary policy are outside the MPC's specific functions with decisions being made by the Reserve Bank. For example, forecasting and monitoring. The proposed terms of reference provide flexibility for the reviewer to consider aspects of monetary policy beyond the scope of the MPC's functions where the reviewer considers the matter to be relevant. The proposed terms of reference also explicitly include the following topics in scope:
- a the information that was provided to the MPC to support their decision-making, including **Reserve Bank's forecasts**. We think the Review should consider whether the Reserve Bank's forecasts supported sound monetary policy decision-making. However, we do not recommend expanding the scope to cover the monitoring and forecasting processes, and how they could be improved, as this would increase the time and complexity of the Review.<sup>4</sup>
  - b the Reserve Bank's **preparation for the event of reaching the effective lower bound on interest rates**, such as preparations to implement a negative OCR and develop AMP tools prior to 2020 and **the use and design choices of AMP tools**, including the pace and type of bonds purchased under the LSAP programme. These aspects of monetary policy implementation materially affected the nature of the monetary policy tools available to the MPC and their impact. We therefore think they warrant consideration by the Review.
  - c the interactions between monetary policy and **macroprudential policy**. Macroprudential policy choices during the pandemic coincided with house price increases and increases in aggregate demand. In addition, monetary policy decisions may have impacted on financial stability, for example by contributing to rapid increases in house prices. As such, we think the Review should consider whether the MPC had appropriate regard to the impact of macroprudential policy on monetary policy.

*Institutional framework for monetary policy*

13. We recommend the terms of reference do not include institutional reforms, in particular whether to return to a single decision-maker, the role of a Treasury observer or specifying a timeframe to help define 'medium-term' price stability. The Treasury is providing you with advice on these matters through a separate process in June 2025. However, we think the Review should consider what lessons can be drawn from the review period about whether the current institutional framework is operating effectively, and any potential improvements to how it operates. The proposed terms of reference include the following matters:

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<sup>4</sup> For example, Ben Bernanke reviewed the Bank of England's forecasting processes in 2023. T2025/1230 Independent review of monetary policy - terms of reference and potential reviewers

**IN CONFIDENCE**

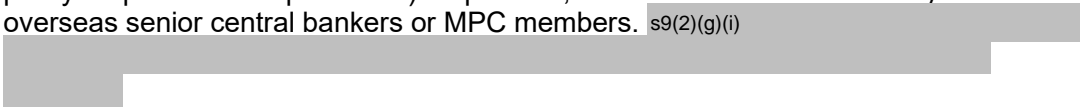
- a **the information provided by the Treasury Observer** and whether it supported effective fiscal-monetary policy coordination. The review could usefully shed light on ways the Treasury Observer could support more effective fiscal-monetary coordination and consideration of the interaction between monetary and fiscal policy.
  - b the MPC's decision-making strategy, processes and treatment of uncertainty, including whether the processes set out in the MPC Charter, and the way they were implemented by the MPC, supported sound monetary policy formulation.
14. The draft Cabinet paper notes that you are seeking advice separate to the review on whether to return to a single decision-maker, the role of a Treasury observer or specifying a timeframe to help define 'medium-term' price stability. The Cabinet paper could instead be silent on this advice.
  15. If instead you want the Review to also assess aspects of the institutional framework for monetary policy, such as the role of the Treasury Observer or returning to a single-decision maker model, we recommend deferring the Treasury advice on those matters so that it can include any insights from the Review.
  16. In addition to excluding institutional reforms, we also recommend excluding from the review the Government's decision to indemnify the Reserve Bank in respect of any financial losses associated with the LSAP programme as this was not a decision by the MPC or the Reserve Bank. Including the decision to indemnify the Reserve Bank could change the nature of the Review. At its most expansive, it could require the reviewer to understand and evaluate both the monetary and fiscal response to the COVID-19 pandemic. This would require more time and potentially a panel of reviewers to secure the appropriate mix of skills. We can provide further advice on this if required.

*Public consultation*

17. We recommend no public consultation be undertaken as part of the Review. Public consultation would increase the cost and time required for the Review. Further, as the Review is relatively technical in nature, we do not think public consultation would identify significant new information not already available from existing public commentary on monetary policy. The terms of reference place no expectation on the reviewer to consult publicly.

**Selecting the independent reviewers**

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18. A list of suitable reviewers with strong monetary policy expertise who we consider to be impartial and objective is attached to this report (that is, we have not identified any conflicts of interest or a history of public commentary on New Zealand's monetary policy response to the pandemic). In practice, suitable candidates are likely to be overseas senior central bankers or MPC members. s9(2)(g)(i)  

19. We expect it will be challenging to find a suitable reviewer with availability across June-August 2025. We recommend you identify several (5-7) reviewers you would be comfortable with so the Treasury can immediately begin sounding-out their interest and availability.

**IN CONFIDENCE**

20. You also have a choice about how many reviewers you select to conduct the Review. Selecting 2-3 reviewers would provide broader perspectives, but one reviewer makes it faster to establish and undertake the review. We recommend selecting one reviewer given the limited time available to complete the Review.

### Timeline for the Review

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21. You have indicated you want the Review completed during the term of the temporary Governor, which ends 7 October 2025. Achieving this deadline whilst meeting process requirements to inform Cabinet, and providing the Reserve Bank and MPC members with an opportunity to respond to the draft review report, means a compressed review period of around six weeks.
22. We recommend proceeding on this timeline for now but retaining flexibility to adjust the timeframe if required to secure a suitable reviewer. Pushing out the deadline for the final report, for example to January or February 2026, would improve the chances of a preferred reviewer being available, and potentially allows for a deeper consideration of the issues. Pushing out the timeline would mean the final report would be published during the term of the new permanent Governor (assuming the current temporary Governor's term is not extended). While there are benefits from the new Governor starting their term with the findings and recommendations of the review to build from, we do not think a few months delay will materially affect the Review's influence. A longer review may also cost more (if the reviewer uses the extra time to do a deeper review), and its publication would fall closer to the final report of Phase 2 of the COVID-19 Royal Commission, which is due to report by 26 February 2026.
23. An indicative timeline is below.

<b>Date</b>	<b>Milestone</b>
<b>20 May</b>	The Minister of Finance writes to the Reserve Bank to consult on the purpose and nature of the review (s194 consultation). The Treasury begins contacting preferred candidates to sound-out interest and availability.
<b>26 May</b>	The Reserve Bank provides feedback on purpose and nature of the review (s194 consultation).
<b>29 May</b>	The Treasury provides final draft Cabinet paper to the Minister of Finance.
<b>2-16 June</b>	Cabinet paper circulated for Ministerial and coalition consultation.
<b>19 June</b>	Cabinet paper lodged on establishing the Review.
<b>25 June</b>	Economic Policy Committee considers paper on establishing the Review.
<b>30 June</b>	Cabinet.
<b>July-Mid August</b> (6 weeks)	Research and preparation of report by Reviewer.
<b>Mid-August</b>	Draft report to Reserve Bank, former MPC members, Treasury and the Minister of Finance for two-week consultation.
<b>23 September</b>	Review report finalised.
<b>Early October</b>	Report to Cabinet on outcome of the Review. Final review report published.

**IN CONFIDENCE****Financial implications and resourcing**

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24. Funding is available via an expense transfer of \$0.500 million from 2023/24 into 2024/25. The Treasury will seek approval for any unspent funding in 2024/25 to be transferred into 2025/26 as part of the October Baseline Update. An in-principle expense transfer was approved during the March Baseline Update. The funding is intended to cover the fees of the reviewer, any additional external analysis required, and independent external legal counsel to support the reviewer.
25. The Treasury will provide secretariat services to the Review within baselines (e.g. collating documents, organising meetings). Additional costs to the Reserve Bank are expected to be managed within their existing funding.

**Risks**

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26. There are three main risks we wish to draw to your attention.
27. First, initiating a review of the performance of monetary policy risks weakening perceptions of the Reserve Bank's operational independence in formulating and implementing monetary policy. Careful communications about the purpose of the Review to support effective monetary policy responses to future shocks, and that the Review is being undertaken free from bias by an impartial and objective monetary policy expert, will help mitigate this risk. The Government's public communications could also emphasise that the Review is being undertaken consistent with your role under section 194 of the Reserve Bank Act. The Treasury is available to work with your office to develop reactive talking points for other Ministers, if requested.
28. Second, overlaps between the Review and the COVID-19 Royal Commission could mean two simultaneous reviews into the same matters, which risks being seen as inconsistent with the application of administrative law principles, such as following a fair process and the principles of natural justice. Focussing the Review on the MPC, which is explicitly excluded from Phase 2 of the COVID-19 Royal Commission, helps reduce the risk of overlap. While we will continue to monitor this risk, the Treasury (along with other agencies involved in the COVID-19 Royal Commission) has limited visibility of matters being considered by the COVID-19 Royal Commission.
29. Third, the timeframe to complete the review by early October 2025 increases the risk that we are unable to secure a suitable reviewer or that the Review is perceived as insufficiently thorough. As noted above, we recommend proceeding on this timeline for now but retaining flexibility to adjust the timeframe if required to secure a suitable reviewer.

**Next steps to establish the Review**

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30. We are available to discuss the draft terms of reference and list of potential reviewers at the Weekly Agency Meeting on 20 May 2025.

**IN CONFIDENCE**

31. Subject to your feedback on the matters in this report, the next steps to establish the Review are to:
- a **Consult the Reserve Bank on the purpose and nature of the Review** – Once you are comfortable with the draft terms of reference and list of potential reviewers, we recommend you write to the Reserve Bank to consult them on the purpose and nature of the review, as required for a review under section 194 of the Act. A draft letter is attached to this report. While we have engaged with the Reserve Bank in preparing this advice, formal engagement with the Reserve Bank on the terms of reference and reviewers ensures you meet the requirement to consult the Reserve Bank under section 194 of the Reserve Bank Act. The Reserve Bank must take all reasonable steps to cooperate with the review.
  - b **Begin Cabinet paper process** – We recommend taking a paper to Cabinet to seek agreement to the review. A draft Cabinet paper is attached to this report. Subject to your feedback, we will provide you with a revised draft Cabinet paper for Ministerial and coalition party consultation. We propose seeking Cabinet authorisation for you, in consultation with the Associate Ministers of Finance, to make changes to the terms of reference and to confirm the selection of the reviewer. This enables you to make changes to the terms of reference if necessary (for example, if the preferred reviewer suggests amendments to the terms of reference).
  - c **Begin sounding-out potential reviewers** – With your approval, we will begin contacting preferred candidates immediately to test their interest and availability to lead the review. We expect the candidates will want to see the draft terms of reference – and may request changes – before confirming their willingness to lead the review.

**IN CONFIDENCE****Recommended actions**

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We recommend that you:

- a **agree** to commission a review of monetary policy during the COVID-19 pandemic (the Review) under section 194 of the Reserve Bank of New Zealand Act 2021.

*Agree/disagree.*

- b **agree** to focus the review on decisions taken by the Monetary Policy Committee (MPC), and analysis provided by the Reserve Bank to support those decisions, during the period 1 January 2020 through 31 December 2022, including preparations prior to 2020 for the event of reaching the effective lower bound on interest rates.

*Agree/disagree.*

- c **agree** the following matters should be in scope of the review:

i.	the information that was provided to the MPC to support their decision-making, including the Reserve Bank's forecasts	<i>Agree/disagree</i>
ii.	the MPC's decision-making strategy, processes and treatment of uncertainty, including its processes set out in the MPC Charter	<i>Agree/disagree</i>
iii.	the MPC's communications and forward guidance	<i>Agree/disagree</i>
iv.	the MPC's and the Reserve Bank's choice and design of policy tools, including but not limited to its consideration of the effectiveness and design of the LSAP programme and risks to the public balance sheet	<i>Agree/disagree</i>
v.	the MPC's consideration of the interaction of monetary policy with fiscal and macroprudential policy, and	<i>Agree/disagree</i>
vi.	any other matters the reviewer considers relevant.	<i>Agree/disagree</i>

- d **agree** the following matters should be out of scope of the review:

i.	the Reserve Bank's functions aside from monetary policy other than where they overlap with monetary policy, and	<i>Agree/disagree</i>
ii.	the Reserve Bank Board's monitoring of the performance of the MPC and individual MPC members.	<i>Agree/disagree</i>

- e **note** that the following matters are out of scope of the review because they would not be a review of the Reserve Bank's operations or functions:

- i. the Treasury Observer's role, functions and actions (but the reviewer may consider whether the MPC and Reserve Bank
- Agree/disagree*

**IN CONFIDENCE**

had appropriate regard to the information provided by the Treasury Observer, and whether the information provided by the Treasury Observer adequately represented the stance of fiscal policy), and

- 
- ii. the Government's decision to indemnify the Reserve Bank in respect of any financial losses associated with the LSAP programme as this was not a decision by the MPC or the Reserve Bank. *Agree/disagree*
- f **provide feedback** on the draft terms of reference attached to this report.  
*Yes/no.*
- g **indicate** between five and seven candidates for lead reviewer that you would be comfortable with as set out in the list attached to this report.  
*Yes/no.*
- h **agree** to select one person to lead the review.  
*Yes/no.*
- i **sign and send** the attached letter to the Chair of the Reserve Bank Board and the Governor of the Reserve Bank to consult them on the draft terms of reference and the list of potential reviewers, as required under section 194 of the Reserve Bank Act 2021.  
*Yes/no.*
- j **provide feedback** on the draft Cabinet paper attached to this report.  
*Yes/no.*

Ben Gaukrodger  
**Manager, Macroeconomic and Fiscal Policy**

Hon Nicola Willis  
**Minister of Finance**

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**IN CONFIDENCE****In Confidence**

Office of the Minister of Finance

Cabinet Economic Policy Committee

**Independent review of monetary policy****Proposal**

- 1 This paper seeks agreement to establish an independent review of the monetary policy response to the COVID-19 pandemic to provide recommendations to improve responses to future shocks.

**Relation to government priorities**

- 2 An independent review of the monetary policy response to the COVID-19 pandemic promotes effective monetary policy in future periods of instability. This supports the Government's priority to create a stable and predictable economic environment and builds on actions the Government has already taken to support macroeconomic stability, including passing legislation to return the Reserve Bank to a single focus on price stability, constraining growth in government spending, and reducing costs on business.

**Executive Summary**

- 3 The COVID-19 pandemic caused significant economic challenges. In response, the Reserve Bank's Monetary Policy Committee (MPC) took unprecedented monetary policy actions including reducing the Official Cash Rate (OCR) to 0.25% and holding it there for 12 months and using Additional Monetary Policy (AMP) tools for the first time. From early 2021, inflation began to rise sharply and was persistently above the MPC's target until the 2024 September quarter. Implementing AMP tools had a significant negative financial impact.
- 4 I propose engaging an internationally regarded monetary policy expert to provide an independent perspective on the MPC's performance during 2020 to 2022 and to provide lessons for future periods of instability. I propose the terms of reference focus on decisions by the MPC, and analysis provided by the Reserve Bank to support those decisions.
- 5 I have appointed a temporary Governor of the Reserve Bank until 7 October 2025 while the process to appoint a permanent Governor takes place. I aim for this review to be completed before the permanent Governor starts. This approach provides the new Governor with the findings and recommendations of the review to build from. I will update Cabinet on the findings and recommendations of the review prior to publication.

**Background**

- 6 Over 2020-2022 there were significant economic challenges caused by the COVID-19 pandemic. In response to these economic challenges, the MPC took unprecedented monetary policy actions including reducing the Official Cash Rate (OCR) to 0.25%,

**IN CONFIDENCE**

holding the OCR at 0.25% for 12 months, and using Additional Monetary Policy (AMP) tools for the first time.

- 7 From early 2021, inflation began to rise sharply in New Zealand and was persistently in excess of the MPC's inflation target until the 2024 September quarter. Although the rise in inflation partly reflects supply-side factors (disruptions associated with COVID-19 and Russia's invasion of Ukraine), estimates by the Treasury indicate that the rise in inflation can also be attributed to strong aggregate demand. This outcome was observed in most advanced economies and was in part reflective of a deliberate strategy to minimise the likelihood of worst-case scenarios for the economy, given significant uncertainty about the impacts of COVID-19.
- 8 Implementing AMP tools had a significant financial impact. AMP tools led to significant growth in the Bank's balance sheet: from total assets of \$42.3 billion pre-COVID-19 to \$88.9 billion as at 30 June 2023. This has resulted in significant direct losses (totalling around \$10.4 billion at the end of April 2025) on the Bank's balance sheet arising from the LSAP programme. These losses have been indemnified by the Crown. There will also have been indirect fiscal impacts (e.g. higher tax revenue) as a result of the MPC providing additional monetary stimulus, which may have offset these costs to some extent.
- 9 In 2022 the Reserve Bank published its own review of the formulation and implementation of monetary policy, which included an assessment of monetary policy performance between 2020 and 2022. While the review was peer reviewed by two independent experts, the review itself was not independent of the Reserve Bank.
- 10 New Zealand's broader response to COVID-19 is being reviewed by the Royal Commission of Inquiry into Lessons Learned from Aotearoa New Zealand's Response to COVID-19 That Should Be Applied in Preparation for a Future Pandemic (the COVID-19 Royal Commission). Decisions taken by the MPC are out of scope of the COVID-19 Royal Commission and instead will be addressed in this review.

**Objective and form of the review**

- 11 I propose that the purpose of the review be to provide an independent perspective on the MPC's performance during 2020 to 2022 and to provide lessons for future periods of instability.
- 12 I intend to establish the review under section 194 of the Reserve Bank of New Zealand Act 2021 (the Act). Under section 194 of the Act, as Minister, I may review the operations and performance of the Reserve Bank at any time (the MPC being a committee of the Reserve Bank). A review under section 194 requires the Reserve Bank to take all reasonable steps to co-operate with the review. I am required to consult the Reserve Bank on the purpose and nature of a section 194 review and to consider the submissions made by the Reserve Bank. The review will rely on voluntary participation by former MPC members. It is therefore important to maintain actual, and perceptions of, fairness and impartiality, including through the terms of reference, selection of a credible reviewer and the Government's public communications.

**Terms of reference**

- 13 Proposed draft terms of reference for the review are included as Annex 1 of this report.

**IN CONFIDENCE**

- 14 The terms of reference focus on decisions by the MPC, and analysis provided by the Reserve Bank to support those decisions, during the period 1 January 2020 through 31 December 2022, including preparations prior to 2020 for the event of reaching the effective lower bound on interest rates. The review includes:
- 14.1 the information that was provided to the MPC to support their decision-making, including the Reserve Bank's forecasts
  - 14.2 the MPC's decision-making strategy, processes and treatment of uncertainty, including its processes set out in the MPC Charter
  - 14.3 the MPC's communications and forward guidance
  - 14.4 the MPC's and the Reserve Bank's choices about the use and design of policy tools, including but not limited to its consideration of the effectiveness and design of the LSAP programme and risks to the public balance sheet
  - 14.5 the MPC's consideration of the interaction of monetary policy with fiscal and macroprudential policy, and
  - 14.6 any other matters the reviewer considers relevant.
- 15 Institutional reforms are out of scope of the review, in particular whether to return to a single decision-maker, the role of a Treasury observer or specifying a timeframe to help define 'medium-term' price stability. Reviewing these matters is part of the National-ACT Coalition agreement. The Treasury will provide advice on these matters through a separate process. However, the review can consider whether the current institutional framework is operating effectively, and any potential improvements to how it operates, such as whether the Treasury Observer could support more effective fiscal-monetary coordination and consideration of the interaction between monetary and fiscal policy.

**Selection of lead reviewer**

- 16 I intend to engage an internationally regarded monetary policy expert to lead the review. In practice, suitable candidates are likely to be overseas senior central bankers or MPC members. I do not think any New Zealand-based monetary policy experts would be perceived as sufficiently impartial and objective. I am considering a number of candidates to lead the review. I will confirm the lead reviewer in consultation with the Associate Ministers of Finance.

**Timeline**

- 17 I have appointed a temporary Governor of the Reserve Bank until 7 October 2025 while the process to appoint a permanent Governor takes place. I aim for this review to be completed before the permanent Governor starts. This allows the permanent Governor to start their term with the findings and recommendations of the review to build from. Achieving this timeline means a compressed review period of around six weeks and makes it more challenging to secure a suitable reviewer with availability. I am open to pushing back the deadline if necessary to align with the availability of the preferred reviewer.
- 18 I will report to Cabinet on the findings of the review and the Government's response. I anticipate a limited Government response given the scope of the review primarily relates to operational aspects of monetary policy.

**IN CONFIDENCE**

- 19 The table below sets out key milestones for the review.

<b>Milestone</b>	<b>Timeframe</b>
Confirmation of lead reviewer	Early July 2025
Review undertaken by lead reviewer	July to mid-August 2025 (6 weeks)
Draft report to Reserve Bank, former MPC members, and the Treasury for consultation	Mid-August 2025
Review report finalised	23 September 2025
Report to Cabinet on outcome of the review	6 October 2025
Review report published	7 October 2025

**Cost-of-living Implications**

- 20 The independent review of the monetary policy response to the COVID-19 pandemic promotes effective monetary policy and low and stable inflation. Macroeconomic stability – the predictability in variables including real output growth, inflation, and the current account deficit – can support resource allocation choices, investment, and economic growth. In turn, this protects New Zealanders’ living standards from the negative effects of economic volatility such as periods of high inflation.

**Financial Implications**

- 21 The review will be funded from within baselines, subject to approval to an expense transfer through the October Baseline Update. The total cost of the review will depend on the outcome of negotiations with the lead reviewer but could be around \$200,000 - \$500,000 in total. The funding is intended to cover the fees of the reviewer, any additional external analysis required, and independent external legal counsel to support the reviewer.
- 22 The Treasury will provide secretariat services to the review within baselines. Additional costs to the Reserve Bank are expected to be managed within its existing funding.

**Legislative Implications**

- 23 There are no direct legislative implications from the establishment of this review. I will report back to Cabinet on any legislative implications arising from the review.

**Use of external Resources**

- 24 This paper proposes the selection of an independent and internationally regarded monetary policy expert to lead the review. An external-to-government reviewer is necessary to for the review to be seen as impartial and objective.
- 25 Fees paid to the independent reviewer will be included in reporting on the Treasury’s usage of contractors and consultants.

**IN C O N F I D E N C E****Consultation**

- 26 I have consulted the Reserve Bank on the purpose and nature of the review and have considered the submission made by the Reserve Bank, in line with section 194 of the Reserve Bank Act.
- 27 I do not intend for public consultation to be undertaken as part of review. As the review is relatively technical in nature, I do not expect that public consultation would identify new information not already available from existing public commentary on monetary policy.

**Communications**

- 28 I intend to announce the review, including the terms of reference and lead reviewer, in late June or early July.

**Proactive Release**

- 29 I intend to release this Cabinet paper in part within 30 business days of decisions being confirmed by Cabinet.

**Recommendations**

The Minister of Finance recommends that the Committee:

- 1 agree to establish an independent review of the monetary policy response to the COVID-19 pandemic under section 194 of the Reserve Bank of New Zealand Act 2021 to provide recommendations to improve the response to future shocks;
- 2 agree that the terms of reference for the review focus on decisions taken by the Monetary Policy Committee (MPC), and analysis provided by the Reserve Bank to support those decisions, during the period 1 January 2020 through 31 December 2022, including preparations prior to 2020 for the event of reaching the effective lower bound on interest rates, including:
  - 2.1 the information that was provided to the MPC to support their decision-making, including the Reserve Bank's forecasts
  - 2.2 the MPC's decision-making strategy, processes and treatment of uncertainty, including its processes set out in the MPC Charter
  - 2.3 the MPC's communications and forward guidance
  - 2.4 the MPC's and the Reserve Bank's choice and design of policy tools, including but not limited to its consideration of the effectiveness and design of the Large Scale Asset Purchase programme and risks to the public balance sheet
  - 2.5 the MPC's consideration of the interaction of monetary policy with fiscal and macroprudential policy, and
  - 2.6 any other matters the reviewer considers relevant;

**I N C O N F I D E N C E**

- 3 authorise the Minister of Finance, in consultation with the Associate Ministers of Finance, to make changes to the terms of reference, including the scope of the review and the deadline for the final review report, in line with the policy intent of the review as set out in this paper;
- 4 authorise the Minister of Finance, in consultation with the Associate Ministers of Finance, to approve an internationally regarded monetary policy expert to lead the review;
- 5 invite the Minister of Finance to report to Cabinet on the findings and recommendations of the review.

Hon Nicola Willis

**Minister of Finance**

**IN CONFIDENCE****Independent review of the monetary policy response to the COVID-19 pandemic****Draft terms of reference**

1. The Minister of Finance is commissioning an independent review of the monetary policy response to the COVID-19 pandemic (the review) to inform the ongoing effectiveness of monetary policy responses to shocks.
2. The review is conducted under section 194 of the Reserve Bank of New Zealand Act 2021 (the Act). Under section 194, the Minister of Finance may review the operations and performance of the Reserve Bank at any time. The Monetary Policy Committee (MPC) is a committee of the Reserve Bank under section 97 of the Act. As required under section 194, the Minister has consulted the Reserve Bank on the purpose and nature of this review and has considered the submissions made by the Reserve Bank on the proposed review.

**Background**

3. The Reserve Bank's MPC is required under the Act to formulate monetary policy. The Reserve Bank has the function of implementing the monetary policy formulated by the MPC.
4. During 2020 to 2022, there were significant economic challenges arising from the COVID-19 pandemic. In response, the MPC took unprecedented monetary policy actions. These included reducing the Official Cash Rate (OCR) to 0.25%, providing specific forward guidance about the OCR, and using Additional Monetary Policy (AMP) tools for the first time. The AMP tools used were the Large Scale Asset Purchase (LSAP) programme and the Funding for Lending Programme (FLP).
5. From late 2020 New Zealand's economic recovery was stronger than expected. House prices increased, and from early 2021 consumer price inflation began to rise. From late 2021, the MPC began to increase the OCR in response. Between 2021Q1 and 2023Q1, CPI inflation averaged 5.8%, compared to the midpoint of the MPC's inflation objective of 2.0%. There were also financial risks associated with the use of AMP tools. As of the end of April 2025, direct interest rate losses on the LSAP programme are estimated to be around \$10.4 billion.
6. In November 2022, the Reserve Bank released its review of the formulation and implementation of monetary policy in the five years ended October 2022, as was required under section 131 of the Act.<sup>1</sup> The Reserve Bank commissioned two external peer reviews of this report.<sup>2</sup>
7. New Zealand's broader response to COVID-19 is being reviewed by the Royal Commission of Inquiry into Lessons Learned from Aotearoa New Zealand's Response to COVID-19 That Should Be Applied in Preparation for a Future Pandemic (the COVID-19 Royal Commission). Decisions taken by the MPC are out of scope of the COVID-19 Royal Commission and instead will be addressed in this review.<sup>3</sup>

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<sup>1</sup> <https://www.rbnz.govt.nz/hub/publications/monetary-policy-statement/rafimp>

<sup>2</sup> <https://www.rbnz.govt.nz/monetary-policy/about-monetary-policy/rafimp/a-summary-of-rafimp>

<sup>3</sup> Clause 6(1) of Schedule 2 of the Royal Commission of Inquiry (COVID-19 Lessons) Amendment Order (No 2) 2024.

**I N C O N F I D E N C E****Purpose and nature of the review**

8. The purpose of the review is to:
  - 8.1. assess the monetary policy response to the COVID-19 pandemic, and
  - 8.2. make recommendations to improve the monetary policy response to future shocks.
9. The focus of the review is on decisions by the MPC, and analysis provided by the Reserve Bank to support those decisions, during the period 1 January 2020 through 31 December 2022,<sup>4</sup> and preparations from 1 April 2020 for the event of reaching the effective lower bound on interest rates.<sup>5</sup>
10. The review will assess:
  - 10.1. the information that was provided to the MPC to support their decision-making, including the Reserve Bank's forecasts
  - 10.2. the MPC's decision-making strategy, processes and treatment of uncertainty, including its processes set out in the MPC Charter<sup>6</sup>
  - 10.3. the MPC's communications and forward guidance
  - 10.4. the MPC's and the Reserve Bank's choices about the use and design of monetary policy tools, including but not limited to its consideration of the effectiveness and design of the LSAP programme and risks to the public balance sheet
  - 10.5. the MPC's consideration of the interaction of monetary policy with fiscal and macroprudential policy, and
  - 10.6. any other matters the reviewer considers relevant.
11. The following matters are out of scope of the review:
  - 11.1. The Reserve Bank's functions aside from monetary policy. However, areas of overlap between monetary policy and the Reserve Bank's other functions are in scope, such as interactions between monetary policy and macroprudential policy.
  - 11.2. The Treasury Observer's role, functions and actions.<sup>7</sup> The reviewer may consider whether the MPC and Reserve Bank had appropriate regard to the information provided by the Treasury Observer, and whether the information provided by the Treasury Observer adequately represented the stance of fiscal policy.

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<sup>4</sup> The period runs from 1 January 2020, around when COVID-19 began to be recognised as an economic risk, through to the end of 2022, by which time most COVID-19 restrictions had ended and the MPC had responded to elevated inflation.

<sup>5</sup> The period extends back to the MPC's establishment on 1 April 2019.

<sup>6</sup> Refer <https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/monetary-policy/about-monetary-policy/december-2023-monetary-policy-committee-charter.pdf>

<sup>7</sup> The Treasury Observer is not a member of the MPC or part of the Reserve Bank so is not within the scope of a review under section 194 of the Act. Under clause 30, Schedule 3 of the Act, the Secretary to the Treasury or their delegate as Treasury Observer has the same rights to attend and speak at MPC meetings but has no right to vote on any question before the MPC and is not subject to the duties that apply to members. The Treasury Observer functions are listed under clause 33, Schedule 3 of the Act.

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- 11.3. The Government's decision to indemnify the Reserve Bank in respect of any financial losses associated with the LSAP programme as this was not a decision by the MPC or the Reserve Bank.
- 11.4. The Reserve Bank Board's monitoring of the performance of the MPC and individual MPC members.
12. The review will operate as follows:
- 12.1. The review is to assess the decisions of the MPC as a whole, not individual MPC members.
- 12.2. The review will draw on:
- 12.2.1. written material the MPC considered during the period under review
  - 12.2.2. previous reviews, such as Reserve Bank's 2022 Review and Assessment of the Formulation and Implementation of Monetary Policy<sup>8</sup>
  - 12.2.3. public commentary on monetary policy
  - 12.2.4. interviews with people who were MPC members for a year or more during the period under review,<sup>9</sup> and
  - 12.2.5. any other information or people the reviewer considers, at their discretion, would help the reviewer make their assessment based on these terms of reference.
- 12.3. It is not expected that the reviewer will seek public submissions.
13. The assessment of the monetary policy response to the COVID-19 pandemic will be based on how well decision-making supported the objectives of monetary policy that applied at the time. In addition, the review should have regard to New Zealand's circumstances, what was known at the time, and relevant decisions made by comparable central banks. When making recommendations, the reviewer may apply the benefit of hindsight.
14. The reviewer will provide a draft report for comment in early August 2025 to the MPC members from the period under review (including those on the MPC for less than a year), the Treasury, and the Reserve Bank. The reviewer will provide a final report by 23 September 2025. The report is to be no longer than 40 pages.

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<sup>8</sup> <https://www.rbnz.govt.nz/monetary-policy/about-monetary-policy/rafimp>

<sup>9</sup> The following individuals were MPC members for a year or more during the period under review: Adrian Orr, Geoff Bascand, Christian Hawkesby, Yuong Ha, Bob Buckle, Peter Harris, and Caroline Saunders.

**IN CONFIDENCE**

**List of suitable candidates to lead a review of the monetary policy response to the COVID-19 pandemic**

**Criteria and characteristics sought**

1. The ideal candidate will have the following characteristics:
  - a Strong expertise in monetary policy – e.g., a former senior central banker or monetary policy committee member.
  - b Impartial and objective. This would involve having:
    - i no conflicts of interest with their current roles
    - ii a limited history of publicly commenting on the New Zealand monetary policy response to COVID-19, and
    - iii ideally have not been involved in making similar decisions in other jurisdictions to those made by the Reserve Bank’s MPC over the period under review.
  - c Available to complete the work in the time available.
  - d It would be beneficial if the reviewer has reviewed a central bank before, though not essential.
2. In practice, the most likely candidates are overseas senior central bankers or MPC members who retired from this line of work prior to 2020.

**Top candidates who stand out against the criteria**

Person	Qualifying characteristics
<b>1. Kristin Forbes</b>	External Member of the Bank of England MPC (2014-2017), White House Council of Economic Advisors (2003-05), currently a professor at Massachusetts Institute of Technology.  Reviewed the Bank of Canada’s own COVID-19 review. Was also involved in a 2018 Central Bank of Iceland review.
<b>2. Carolyn Wilkens</b>	Deputy Governor Bank of Canada 2014-2020, and current external member of Bank of England Financial Policy Committee. She was a panellist on the 2023 Reserve Bank of Australia review.
<b>3. Athanasios Orphanides</b>	Prominent researcher on monetary policy, Governor of Central Bank of Cyprus 2007-2012, and member of Governing council of the European Central Bank 2008-2012. Amongst other roles he is currently involved in Asia school of business, and he has visited New Zealand a few times before.  Advised on some other central bank reviews (Reserve Bank of Australia 2023, Central Bank of Iceland 2018).
s9(2)(a)	
s9(2)(a) and s9(2)(b)(ii)	
s9(2)(a)	

**IN CONFIDENCE**

s9(2)(a)

**Further candidates who appear suitable**

Person	Qualifying characteristics
s9(2)(a) and s9(2)(b)(ii)	
s9(2)(a)	
<p><b>13. Renée Fry-McKibbin</b></p>	<p>Professor of Economics at the Crawford School of Public Policy, Australian National University and a non-executive member of the Reserve Bank of Australia’s Monetary Policy Board since 1 March 2025.</p> <p>On the panel of the 2022-23 Reserve Bank of Australia review.</p> <p>Married to Warwick McKibbin who was a reviewer of the Reserve Bank of New Zealand’s 2022 review of monetary policy.</p>
<p><b>14. Ben Bernanke</b></p>	<p>Chair of the Federal Reserve Board of Governors 2006-2014.</p> <p>Undertook a review of the Bank of England’s forecasting during COVID in 2024 (although this was much more technical than what the review proposed for New Zealand).</p> <p>Keynote speaker at the Reserve Bank of New Zealand’s conference on 6-7 March 2025.</p>
<p><b>15. Andrew Haldane</b></p>	<p>Chief economist at the Bank of England and MPC member 2014-30 June 2021 (note this period overlaps with the period of the proposed review).</p> <p>Now Head of the Royal Society.</p>

## Hon Nicola Willis

Minister of Finance  
Minister for Economic Growth  
Minister for Social Investment



Professor Neil Quigley  
Chair, Reserve Bank Board  
[Neil.Quigley@rbnz.govt.nz](mailto:Neil.Quigley@rbnz.govt.nz)

Christian Hawkesby  
Governor, Reserve Bank  
[Christian.Hawkesby@rbnz.govt.nz](mailto:Christian.Hawkesby@rbnz.govt.nz)

Dear Neil and Christian

### **Re: Consultation on an external review of monetary policy**

During the period from 2020 to 2022, there were significant economic challenges caused by the COVID-19 pandemic. In response to these economic challenges, the Monetary Policy Committee (MPC) took unprecedented monetary policy actions.

The Reserve Bank of New Zealand (the Bank) published the Review and Assessment of the Formulation and Implementation of Monetary Policy, which included an assessment of monetary policy performance between 2020 and 2022. Whilst the Bank commissioned independent experts to provide peer review, this review was not independent of the Reserve Bank.

As such, I am considering an external review to provide the Government with an independent perspective on the MPC's performance during 2020 to 2022. This will ensure there is appropriate transparency over the MPC's performance during a period of significant economic challenges, and will help identify lessons for future episodes of instability.

I am considering undertaking the review under section 194 of the Reserve Bank of New Zealand Act 2021. Draft terms of reference for the review are attached. I welcome your views on the purpose and nature of the review and the list of potential reviewers by 26 May 2025.

Yours sincerely

Hon Nicola Willis  
**Minister of Finance**

**IN CONFIDENCE**



**TE TAI ŌHANGA  
THE TREASURY**

**Treasury Report:** Independent review of monetary policy: revised terms of reference and list of potential reviewers

<b>Date:</b>	26 June 2025	<b>Report No:</b>	T2025/1665
		<b>File Number:</b>	MC-1-3-2-M120167

**Action sought**

	<b>Action sought</b>	<b>Deadline</b>
Hon Nicola Willis <b>Minister of Finance</b>	<p><b>Provide</b> feedback on the draft terms of reference for the independent review of monetary policy.</p> <p><b>Indicate</b> 5-7 reviewers for each of the New Zealand and international candidate pools that you consider would be suitable to conduct the Review.</p> <p><b>Consult</b> coalition parties and relevant Ministers on the draft terms of reference and your preferred candidates for reviewer.</p> <p><b>Consult</b> the Reserve Bank on the draft terms of reference.</p>	At your earliest convenience

**Contact for telephone discussion (if required)**

<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st Contact</b>
Sam Thornton	Senior Analyst, Macroeconomic and Fiscal Policy	s9(2)(k)	N/A (mob) ✓
Ben Gaukrodger	Manager, Macroeconomic and Fiscal Policy	s9(2)(g)(ii)	

**Minister's Office actions (if required)**

<p><b>Return</b> the signed report to Treasury.</p> <p><b>Circulate</b> the draft Cabinet paper, draft terms of reference, and list of reviewers for Ministerial and coalition party consultation.</p> <p><b>Send</b> the signed letter and draft terms of reference to the Reserve Bank for consultation.</p>
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Note any feedback on the quality of the report

**Enclosure:** Yes (attached)

**IN CONFIDENCE****Treasury Report: Independent review of monetary policy: revised terms of reference and list of potential reviewers**

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**Executive summary**

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This report seeks decisions on the establishment of an independent review of monetary policy (the Review). In line with your feedback on previous advice [T2025/1230 refers], revised draft terms of reference and a list of potential New Zealand reviewers are attached.

In summary, the key changes are to:

- extend the deadline for the Review's report to March 2026 to support a thorough but prompt review
- appoint a panel of two or three reviewers, including New Zealand candidates, led by an internationally regarded monetary policy expert
- clarify the scope of the terms of reference to explicitly include house price impacts, the effectiveness and costs of the Large Scale Asset Purchase programme (LSAP), and
- take a targeted approach to the Review's assessment of fiscal-monetary coordination that focuses on whether the MPC and the Treasury were effectively sharing information, whether the MPC appropriately calibrated monetary policy to the fiscal stance, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination (but not the Treasury's advice or the Government's decisions),

We recommend you establish the Review in two parts: the main part of the Review under section 194 of the Reserve Bank of New Zealand Act 2021 (the Act), and another part of the review would consider fiscal aspects of fiscal-monetary coordination.

Once you are comfortable with the terms of reference and potential reviewers, the key next steps are to:

- Begin the Cabinet paper process, including coalition party consultation – You may wish to test the draft terms of reference and potential review candidates with your coalition partners before the Treasury begins contacting candidates. A draft Cabinet paper is attached.
- Consult the Reserve Bank – We recommend you write to the Reserve Bank to consult them on the draft terms of reference, as required for a review under section 194 of the Act. A draft letter is attached to this report.
- Begin sounding-out potential reviewers – With your approval, we will begin contacting preferred candidates to test their interest and availability to undertake the Review.

**IN CONFIDENCE****Treasury Report: Independent review of monetary policy: revised terms of reference and list of potential reviewers**

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**Purpose of report**

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1. This report seeks decisions on the establishment of an independent review of monetary policy (the Review). In line with your feedback on previous advice, revised draft terms of reference and a list of potential New Zealand reviewers are attached.

**Background**

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2. You have asked for support establishing a review to gain an independent perspective on the performance of monetary policy during the COVID-19 period, and to provide lessons for future periods of instability. In May, the Treasury advised you on the establishment of an independent review of monetary policy, including proposed terms of reference and a list of potential reviewers [T2025/1230 refers].
3. You provided feedback on several matters at the Weekly Agency Meeting on 3 June 2025, including to:
  - extend the timeframe for completing the Review,
  - consider New Zealand reviewers, and
  - broaden the scope of the Review.
4. This advice responds to your feedback and proposes next steps.

**Timeframe for the Review**

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5. You have agreed to extend the timeline for completing the Review, beyond the term of the temporary Reserve Bank Governor, but within this term of Parliament.
6. We recommend setting a March 2026 deadline for the Review's final report. We think the proposed timeframe is sufficiently ambitious to encourage a focussed Review and support a thorough and insightful analysis. It allows a four-month period for the substantive work of the Review and two months for consultation on the draft report. This timeline assumes the scope of the Review recommended in this report. A wider scope may require more time.
7. Completing the Review promptly supports the Reserve Bank's leadership and staff to focus on building confidence in the institution, executing a successful restructure, and looking ahead from the COVID-19 period. It also allows the Treasury to advance further advice to you for decisions in 2026, informed by the Review's findings, including:
  - advice on the financial governance arrangements of additional monetary policy (AMP) tools as part of the Review of the Memorandum of Understanding on the use of AMP tools [T2025/2903 refers], and
  - advice on the role of the Treasury Observer, as required under the National-ACT coalition agreement. We will provide initial advice soon, with further advice later that considers the findings and recommendations of the Review.

**IN CONFIDENCE**

8. A March 2026 deadline coincides with the deadline for the COVID-19 Royal Commission (due 26 February 2026). Given the potential for overlap between the two reviews, we are uncertain how the Royal Commission will react to the independent review of monetary policy. While the decisions made by the Reserve Bank's independent monetary policy committee are out of scope of the COVID-19 Royal Commission, Phase 1 considered fiscal-monetary coordination. The Royal Commission may request the draft report of the Review.
9. A faster review may be possible, and we will test this with the preferred reviewers.

**Table 1. Key timeframes for the independent review of monetary policy**

<b>Date</b>	<b>Milestone</b>
<b>July-August 2025</b>	Review establishment (roughly 4-6 weeks) including Cabinet process and securing reviewers.
<b>August-December 2025</b>	Substantive Review process underway (4 months).
<b>December 2025</b>	Draft report for consultation with affected parties (2 months).
<b>By March 2026</b>	Report finalised.

**Potential reviewers**

10. As requested, a list of suitable New Zealand candidates is attached. We identified suitable candidates based on their strong monetary policy expertise, no known conflicts of interest (to be tested further as part of the next stage of the selection process), and who would not create risks to public perceptions of bias. The objectivity of the reviewer supports the credibility and enduring influence of the Review and the participation of key individuals with the Review (e.g., former MPC members).
11. Previous Treasury advice recommended against selecting reviewers with a history of public commentary on New Zealand's COVID-19-period monetary policy response to minimise perceptions that the Review is not objective and free from bias. However, we acknowledge your feedback that New Zealand candidates, including those who have a history of public commentary of the monetary policy response to the pandemic, would bring important perspectives and context, and would promote a challenging and robust review.
12. Given the longer timeframe you have allowed for the Review, we recommend a panel of two or three reviewers to provide a broader range of perspectives, made up of:
  - an internationally regarded monetary policy expert to lead the Review (refer attached list of suitable candidates), and
  - one or two other reviewers, including New Zealand candidates who may have previously commented on the New Zealand monetary policy response to the pandemic.
13. We recommend you select several (e.g., 5-7) candidates from each of the international and New Zealand lists that you would be comfortable with so the Treasury can begin sounding-out their interest, availability and fees. If you anticipate significant coalition party interest in the reviewers, we recommend you test some of the candidates with the other coalition parties before the Treasury begins contacting candidates.

**IN CONFIDENCE****Scope of the terms of reference**

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14. You have asked to broaden the scope of the terms of reference to include house price impacts, the effectiveness and costs of the Large Scale Asset Purchase programme (LSAP) and the Funding for Lending programme (FLP), and fiscal-monetary coordination.
15. Revised draft terms of reference are attached to this report. A summary of your feedback, and straightforward changes we have made, are set out in table 2 below. The Review's coverage of fiscal policy and Government decisions is more complex and further advice is set out below.
16. We recommend that the draft terms of reference are provided to the review panel, once selected, for comment prior to their finalisation.

***The Review's coverage of fiscal policy***

17. You have asked to broaden the scope of the Review to consider fiscal-monetary coordination, including what occurred, whether it was effective, and recommendations to improve coordination in future. Within this, you have a spectrum of options about the extent to which the Review considers the fiscal policy response to COVID-19.
18. A more targeted approach would be to focus on monetary policy decisions and the monetary-fiscal coordination processes that supported those decisions, but not the Treasury's advice or the Government's decisions. Under this approach the Review would consider whether the MPC and the Reserve Bank:
  - was aware of the fiscal policy response (this will necessarily require the Review to assess the adequacy of the information that was provided to the MPC and the Reserve Bank by the Treasury, including the Treasury Observer),
  - accurately assessed the impact of the fiscal policy response on the economy (the Review will likely need to form its own assessment of the broad impact of the fiscal policy response on the economy and compare it to the Reserve Bank's assessment), and
  - calibrated the monetary response to the fiscal policy response and the impact on the economy.
19. A broader approach is to extend the scope of the Review to assess the fiscal policy response, including the Treasury's forecasts and assessments of the impact of monetary policy on the economy, whether the fiscal response was calibrated to the monetary policy response, and the Government's decision to indemnify the Reserve Bank in respect of any financial losses associated with the LSAP programme.
20. The broader approach would provide the most comprehensive picture of fiscal-monetary coordination. However, it would also:
  - increase the risk of overlaps with the COVID-19 Royal Commission, which could mean two simultaneous reviews into the same matters, and
  - increase the time and cost of the Review. At its most expansive, it could require the reviewer to understand and evaluate both the monetary and fiscal response to the COVID-19 pandemic. This would require more time and potentially a panel of reviewers with a different mix of skills than those proposed.

**IN CONFIDENCE**

21. We recommend a more targeted approach that focuses the Review on “whether the MPC and the Treasury were effectively sharing information, whether the MPC appropriately calibrated monetary policy to the fiscal stance, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination”. We also propose excluding fiscal policy from the Review. This approach limits overlaps with the COVID-19 Royal Commission and ensures the Review is manageable and completed promptly. We note that the Treasury is planning further advice to you that incorporates lessons learned from the COVID-19 experience for fiscal policy and fiscal-monetary coordination.
22. If you would like the Review to take a broader approach to assessing monetary-fiscal coordination, we recommend you set the terms of reference at a high level that allows the reviewers to use their expert judgement and any preliminary findings to consider any aspects of fiscal-monetary coordination they deem appropriate, within the timing of the Review. For example, asking the reviewers to assess “whether there was appropriate monetary and fiscal policy coordination and what improvement could be made to the framework and operation of monetary and fiscal policy coordination”.

**Table 2. Changes to the terms of reference in response to your feedback**

Your feedback	Changes we have made
<p><b>The Review must assess what went wrong so lessons can be drawn to improve future monetary policy.</b></p>	<p>Added an explicit purpose of the Review to “support accountability and public confidence in the operational independence of monetary policy” (clause 9.1). This ensures the Review scrutinises the actions of the MPC and Reserve Bank.</p> <p>Added a section to be explicit that the Review should assess the performance of monetary policy during the period (clause 10.1) and added a section directing the Review to distinguish between aspects of the monetary policy response that could have been better considering what was known and knowable at the time in the circumstances, and aspects that could have been better with the benefit of hindsight. Distinguishing these types of recommendations/findings supports accountability and is intended to further emphasise that the Review should consider “what went wrong”.</p> <p>s9(2)(g)(i)</p>
<p><b>The Review must assess whether the LSAP and FLP achieved their monetary policy objectives, and whether the tools justified the costs.</b></p>	<p>Added explicit requirement for the Review to assess the MPC’s and the Reserve Bank’s choices about the use and design of monetary policy tools (clause 12.1), including:</p> <ul style="list-style-type: none"> <li>• whether the stimulus provided by the LSAP justified the risks to the public balance sheet and other costs, and</li> <li>• whether the stimulus provided by the FLP justified the risks to the public balance sheet and other costs.</li> </ul> <p>We do not expect the Review will be able to make a definitive quantitative estimate of the effectiveness of the LSAP or FLP (i.e. the extent to which the programmes lowered interest rates) or the indirect fiscal impacts. Instead, the Review will likely be limited to critiquing the Reserve Bank’s existing research and overseas research on comparable programmes. The Treasury is considering a research project to estimate the impact of LSAPs on interest rates and the indirect fiscal impacts.</p>

**IN CONFIDENCE**

**IN CONFIDENCE**

<p><b>The Review must assess fiscal and monetary coordination, including what occurred, whether it was effective, and recommendations to improve coordination in future.</b></p>	<p>Revised the requirement for the Review to assess fiscal-monetary coordination to include “whether the MPC and the Treasury were effectively sharing information, whether the MPC appropriately calibrated monetary policy to the fiscal stance, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination”.</p> <p>Removed the clause excluding the Treasury Observer from the scope of the Review. We previously recommended excluding the Treasury Observer from the Review to manage overlaps with the COVID-19 Royal Commission, and to ensure a targeted review that could be completed quickly (i.e. to avoid the Review considering the fiscal policy response broadly).</p> <p>To keep the Review manageable, we propose to explicitly exclude an assessment of fiscal policy from the Review.</p>
<p><b>The Review must assess whether the MPC appropriately considered the impact of monetary policy on asset and house prices.</b></p>	<p>Added that the Review should include “the MPC’s consideration of the interaction of monetary policy with fiscal and macroprudential policy, and the impact on asset and house prices”.</p>

### Type of review

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23. We recommend you establish the Review in two parts:

- the main part of the Review under section 194 of the Reserve Bank of New Zealand Act 2021 (the Act). Under section 194, you may review the operations and performance of the Reserve Bank at any time (the MPC being a committee of the Reserve Bank). A review under section 194 requires the Reserve Bank to take all reasonable steps to co-operate with the Review. You are required to consult the Reserve Bank on the purpose and nature of a section 194 review and to consider the submissions made by the Reserve Bank.
- another part of the Review would consider whether the MPC and the Treasury were effectively sharing information and what improvements could be made to the framework and operation of monetary and fiscal policy coordination. A review of Treasury coordination and policy recommendations about a future framework would fall outside scope of section 194 of the Act. However, you do not need statutory authority to undertake a review of the Treasury or ask a reviewer to make policy recommendations about future frameworks.

24. The main limitation of the above option is that participation would be voluntary for former Treasury staff, including former Treasury observers, and former Reserve Bank staff and MPC members (although it is likely that some individuals will chose to participate and speak to their roles during the relevant time). We do not think non-participation of some former MPC members or Treasury observers would prevent a successful review as the Treasury and the Reserve Bank hold extensive written material. However, interviews with MPC members and Treasury Observers during the period under review would likely be valuable to understanding the MPC’s decision-making and the judgements underpinning fiscal policy advice and decisions. We understand from the Reserve Bank that there are no minutes of MPC deliberations other than the publicly available summary record of each MPC decision round.

**IN CONFIDENCE**

Similarly, much of the information provided by the Treasury Observer to the MPC, particularly early in the COVID-19 period, was provided verbally only.

25. An alternative option is to establish the Review as a Government inquiry. Government inquiries can be established under the Inquiries Act 2013 for the purpose of inquiring into, and reporting on, any matter of public importance.
- The main advantage is that a Government inquiry would have statutory powers to compel witnesses to participate. It would also be required to act independently of Government and follow the principles of natural justice. Fees for reviewers would be more tightly constrained under application of the Cabinet fees framework.
  - The main risk is that a Government inquiry may be perceived as a more significant intervention, signalling greater Government concern about the conduct of monetary policy, and would come at a time when the Reserve Bank is managing significant leadership and organisational changes. A review under section 194 (with non-statutory aspects), may be perceived as a less significant intervention, on the basis that it is expressly provided for in the Reserve Bank Act, and a similar review has been undertaken in the past (in 2001). There is also a risk that the more rigid procedural requirements of an inquiry could lead to delays in the timely delivery of a report.
26. We can provide further advice on establishing the Review as a Government inquiry if requested.

## Funding

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27. As previously advised, funding for the Review is available via an expense transfer of \$0.500 million. An in-principle expense transfer was approved during the March Baseline Update. The funding is intended to cover the fees of the reviewers, any additional external analysis required, and independent external legal counsel to support the reviewers. We expect that the baseline funding of \$500,000 available for the Review will be sufficient for a panel of three reviewers to meet the terms of reference and timeframes proposed in this report.

## Risks

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28. Previous advice noted the three key risks relating to the Review are (i) risks to perceptions of independent monetary policy, (ii) overlaps with the COVID-19 Royal Commission, and (iii) the timeframes for the Review. Your approval to extend the timeframes for the Review manage the third risk. The first two risks remain.
- Initiating a review of the performance of monetary policy risks weakening perceptions of the Reserve Bank's operational independence in formulating and implementing monetary policy. This risk can be managed through careful communications about the purpose of the Review to support effective monetary policy responses to future shocks, that the review is provided for in New Zealand's monetary frameworks (section 194 of the Reserve Bank Act) and that the Review is being undertaken free from bias by impartial and objective monetary policy experts.
  - Overlaps between the Review and the COVID-19 Royal Commission could mean two simultaneous reviews into the same matters. Our recommended terms of reference help to limit this risk.

**IN CONFIDENCE****Next steps**

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29. The Treasury is available to discuss this report with you at an upcoming Weekly Agency Meeting.
30. Subject to your feedback on this report, the next steps to establish the Review are to:
  - **Begin the Cabinet paper process, including coalition party consultation** – We recommend taking a paper to Cabinet to seek agreement to the Review. A draft Cabinet paper is attached. You may wish to test the draft terms of reference and potential review candidates with your coalition partners before the Treasury begins contacting candidates.
  - **Begin sounding-out potential reviewers** – With your approval, we will begin contacting preferred candidates to test their interest and availability to lead the Review. We intend to share the draft terms of reference with the preferred candidates.
  - **Consult the Reserve Bank on the purpose and nature of the Review** – Once you are comfortable with the draft terms of reference, we recommend you write to the Reserve Bank to consult them on the purpose and nature of the Review, as required for a review under section 194 of the Act. A draft letter is attached to this report. While we have engaged with the Reserve Bank in preparing this advice, formal engagement with the Reserve Bank on the terms of reference ensures you meet the requirement to consult the Reserve Bank under section 194 of the Reserve Bank Act.

**IN CONFIDENCE****Recommended actions**

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We recommend that you:

- a **agree** to commission a review of monetary policy during the COVID-19 pandemic (the Review), with the main part of the Review conducted under section 194 of the Reserve Bank of New Zealand Act 2021.

*Agree/disagree.*

- b **agree** to focus the Review on decisions taken by the Monetary Policy Committee (MPC), and analysis provided by the Reserve Bank to support those decisions, during the period 1 January 2020 through 31 December 2022, including preparations prior to 2020 for the event of reaching the effective lower bound on interest rates.

*Agree/disagree.*

- c **agree** the following matters should be in scope of the Review:

i.	the information that was provided to the MPC to support their decision-making, including the Reserve Bank's forecasts	<i>Agree/disagree</i>
ii.	the MPC's decision-making strategy, processes and treatment of uncertainty, including its processes set out in the MPC Charter	<i>Agree/disagree</i>
iii.	the MPC's communications and forward guidance	<i>Agree/disagree</i>
iv.	the MPC's and the Reserve Bank's choice and design of policy tools, including whether the stimulus provided by the LSAP and FLP justified the risks to the public balance sheet and other costs	<i>Agree/disagree</i>
v.	whether the MPC and the Treasury were effectively sharing information, whether the MPC appropriately calibrated monetary policy to the fiscal stance, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination, and	<i>Agree/disagree</i>
vi.	any other matters necessary to meet the purpose of the Review.	<i>Agree/disagree</i>

- d **agree** the following matters should be out of scope of the Review:

i.	the Reserve Bank's functions aside from monetary policy other than were they overlap with monetary policy	<i>Agree/disagree</i>
ii.	the Reserve Bank Board's monitoring of the performance of the MPC and individual MPC members	<i>Agree/disagree</i>
iii.	the fiscal response to the COVID-19 pandemic, and	<i>Agree/disagree</i>

**IN CONFIDENCE**

- iv. the Government's decision to indemnify the Reserve Bank in respect of any financial losses associated with the LSAP programme. *Agree/disagree*
- e **provide feedback** on the draft terms of reference attached to this report.  
*Yes/no.*
- f **agree** to select two to three reviewers, with an international reviewer as the chair.  
*Agree/disagree.*
- g **indicate** between five and seven candidates for reviewers, for both the international and New Zealand candidates, that you would be comfortable with, as set out in the list attached to this report.  
*Yes/no.*
- h **sign and send** the attached letter to the Chair of the Reserve Bank Board and the Governor of the Reserve Bank to consult them on the draft terms of reference, as required under section 194 of the Reserve Bank Act 2021.  
*Yes/no.*
- i **agree**, subject to your feedback, to circulate the draft Cabinet paper, draft terms of reference and list of potential reviewers for consultation with relevant Ministers and coalition parties.  
*Agree/disagree.*

Ben Gaukrodger  
**Manager, Macroeconomic and Fiscal Policy**

Hon Nicola Willis  
**Minister of Finance**

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**IN CONFIDENCE****Independent review of the monetary policy response to the COVID-19 pandemic****Draft terms of reference**

1. The Minister of Finance is commissioning an independent review of the monetary policy response to the COVID-19 pandemic (the Review) to support accountability and public confidence in the operational independence of monetary policy and inform the ongoing effectiveness of monetary policy.
2. One part of the Review is conducted under section 194 of the Reserve Bank of New Zealand Act 2021 (the Act). The Monetary Policy Committee (MPC) is a committee of the Reserve Bank under section 97 of the Act. As required under section 194, the Minister has consulted the Reserve Bank on the purpose and nature of this Review and has considered the submissions made by the Reserve Bank on the proposed Review.
3. Another part of the Review will consider whether the MPC and the Treasury were effectively sharing information, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination.

**Background**

4. The Reserve Bank's MPC is required under the Act to formulate monetary policy. The Reserve Bank implements monetary policy formulated by the MPC.
5. During 2020 to 2022, there were significant economic challenges arising from the COVID-19 pandemic. In response, the MPC took unprecedented monetary policy actions. These included reducing the Official Cash Rate (OCR) to 0.25%, providing specific forward guidance about the OCR, and using Additional Monetary Policy (AMP) tools for the first time. The AMP tools used were the Large Scale Asset Purchase (LSAP) programme and the Funding for Lending Programme (FLP).
6. From late 2020 New Zealand's economic recovery was stronger than expected. House prices increased, and from early 2021 consumer price inflation began to rise. From late 2021, the MPC began to increase the OCR in response. Between 2021Q1 and 2023Q1, CPI inflation averaged 5.8%, compared to the midpoint of the MPC's inflation objective of 2.0%. There were also fiscal implications associated with the use of AMP tools. As of the end of April 2025, direct interest rate losses to the Crown from the LSAP programme are estimated to be around \$10.4 billion.
7. In November 2022, the Reserve Bank released its review of the formulation and implementation of monetary policy in the five years ended October 2022, as was required under section 131 of the Act.<sup>1</sup> The Reserve Bank commissioned two external peer reviews of this report.<sup>2</sup>
8. New Zealand's broader response to COVID-19 is being reviewed by the Royal Commission of Inquiry into Lessons Learned from Aotearoa New Zealand's Response to COVID-19 That Should Be Applied in Preparation for a Future Pandemic (the COVID-19 Royal Commission). Decisions taken by the MPC are out of scope of the COVID-19 Royal Commission and instead will be addressed in this Review.<sup>3</sup>

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<sup>1</sup> <https://www.rbnz.govt.nz/hub/publications/monetary-policy-statement/rafimp>

<sup>2</sup> <https://www.rbnz.govt.nz/monetary-policy/about-monetary-policy/rafimp/a-summary-of-rafimp>

<sup>3</sup> Clause 6(1) of Schedule 2 of the Royal Commission of Inquiry (COVID-19 Lessons) Amendment Order (No 2) 2024.

**I N C O N F I D E N C E****Purpose and nature of the Review**

9. The purpose of the Review is to:
  - 9.1. support accountability and public confidence in the operational independence of monetary policy, and
  - 9.2. improve the ongoing effectiveness of monetary policy.
10. The Review will:
  - 10.1. assess the performance of the monetary policy response to the COVID-19 pandemic against the objectives of monetary policy that applied at the time, having regard to what was known and could reasonably have been known in the circumstances, and relevant decisions made by comparable central banks, and
  - 10.2. make recommendations to improve the monetary policy response to future shocks, including commentary around potential changes to the frameworks, having regard to the benefits of hindsight.
11. The focus of the Review is on decisions by the MPC, and analysis provided by the Reserve Bank to support those decisions, during the period 1 January 2020 through 31 December 2022,<sup>4</sup> and preparations from 1 April 2020 for the event of reaching the effective lower bound on interest rates.<sup>5</sup>
12. The following matters are in scope of the Review:
  - 12.1. the information that was provided to the MPC to support their decision-making, including the Reserve Bank's forecasts
  - 12.2. the MPC's decision-making strategy, processes and treatment of uncertainty, including its processes set out in the MPC Charter<sup>6</sup>
  - 12.3. the MPC's communications and forward guidance
  - 12.4. the MPC's and the Reserve Bank's choices about the use and design of monetary policy tools, in particular:
    - 12.4.1. whether the stimulus provided by the LSAP justified the risks to the public balance sheet and other costs, and
    - 12.4.2. whether the stimulus provided by the Funding for Lending Programme justified the risks to the public balance sheet and other costs.
  - 12.5. whether the MPC and the Treasury were effectively sharing information, whether the MPC appropriately calibrated monetary policy to the fiscal stance, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination

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<sup>4</sup> The period runs from 1 January 2020, around when COVID-19 began to be recognised as an economic risk, through to the end of 2022, by which time most COVID-19 restrictions had ended and the MPC had responded to elevated inflation.

<sup>5</sup> The period extends back to the MPC's establishment on 1 April 2019.

<sup>6</sup> Refer <https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/monetary-policy/about-monetary-policy/december-2023-monetary-policy-committee-charter.pdf>

**I N C O N F I D E N C E**

- 12.6. the MPC's consideration of the interaction of monetary policy with fiscal and macroprudential policy, and the impact on asset and house prices, and
- 12.7. any other matters necessary to meet the purpose of the Review.
13. The following matters are out of scope of the Review:
  - 13.1. the Reserve Bank's functions aside from monetary policy. However, areas of overlap between monetary policy and the Reserve Bank's other functions are in scope, such as interactions between monetary policy and macroprudential policy.
  - 13.2. the Reserve Bank Board's monitoring of the performance of the MPC and individual MPC members
  - 13.3. the fiscal response to the COVID-19 pandemic as this was not a decision by the MPC or the Reserve Bank
  - 13.4. the Government's decision to indemnify the Reserve Bank in respect of any financial losses associated with the LSAP programme as this was not a decision by the MPC or the Reserve Bank.
14. The Review will operate as follows:
  - 14.1. The Review is to assess the collective decisions of the MPC as a whole, not individual MPC members.
  - 14.2. The Review will draw on:
    - 14.2.1. written material the MPC considered during the period under review
    - 14.2.2. previous reviews, such as Reserve Bank's 2022 Review and Assessment of the Formulation and Implementation of Monetary Policy<sup>7</sup>
    - 14.2.3. public commentary on monetary policy
    - 14.2.4. interviews with people who were MPC members for a year or more during the period under review,<sup>8</sup> and
    - 14.2.5. any other information or people the reviewers consider, at their discretion, would help the reviewers make their assessment based on these terms of reference.
  - 14.3. It is not expected that the reviewers will seek public submissions.
15. The reviewers will provide a draft report for comment in December 2025 to the MPC members from the period under review (including those on the MPC for less than a year), the Treasury, and the Reserve Bank. The reviewers will provide a final report in March 2026. The report is to be no longer than 40 pages.

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<sup>7</sup> <https://www.rbnz.govt.nz/monetary-policy/about-monetary-policy/rafimp>

<sup>8</sup> The following individuals were MPC members for a year or more during the period under review: Adrian Orr, Geoff Bascand, Christian Hawkesby, Yuong Ha, Bob Buckle, Peter Harris, and Caroline Saunders.

**IN CONFIDENCE****In Confidence**

Office of the Minister of Finance

Cabinet Economic Policy Committee

**Independent review of monetary policy****Proposal**

- 1 This paper seeks agreement to establish an independent review of the monetary policy response to the COVID-19 pandemic. The purpose of the review is to support accountability and public confidence in the operational independence of monetary policy and to inform the ongoing effectiveness of monetary policy.

**Relation to government priorities**

- 2 An independent review of the monetary policy response to the COVID-19 pandemic promotes effective monetary policy in future periods of instability. This supports the Government's priority to create a stable and predictable economic environment and builds on actions the Government has already taken to support macroeconomic stability, including passing legislation to return the Reserve Bank to a single focus on price stability, constraining growth in government spending, and reducing costs on business.

**Executive Summary**

- 3 The COVID-19 pandemic caused significant economic challenges. In response, the Reserve Bank's Monetary Policy Committee (MPC) took unprecedented monetary policy actions including reducing the Official Cash Rate (OCR) to 0.25% and holding it there for 12 months and using Additional Monetary Policy (AMP) tools for the first time. From early 2021, inflation began to rise sharply and was persistently above the MPC's target until the 2024 September quarter. Implementing AMP tools had a significant negative financial impact.
- 4 I propose engaging two to three monetary policy experts to provide an independent perspective on the MPC's performance during 2020 to 2022 and to provide lessons for future periods of instability. I propose the terms of reference focus on decisions by the MPC, and analysis provided by the Reserve Bank to support those decisions.
- 5 I intend the review to be thorough but completed promptly, by March 2026. This approach provides the new permanent Governor with the findings and recommendations of the review to build from. I will update Cabinet on the findings and recommendations of the review prior to publication.

**Background**

- 6 Over 2020-2022 there were significant economic challenges caused by the COVID-19 pandemic. In response to these economic challenges, the MPC took unprecedented monetary policy actions including reducing the Official Cash Rate (OCR) to 0.25%, holding the OCR at 0.25% for 12 months, and using Additional Monetary Policy (AMP) tools for the first time.

**IN CONFIDENCE**

- 7 From early 2021, inflation began to rise sharply in New Zealand and was persistently in excess of the MPC's inflation target until the 2024 September quarter. Although the rise in inflation partly reflects supply-side factors (disruptions associated with COVID-19 and Russia's invasion of Ukraine), estimates by the Treasury indicate that the rise in inflation can also be attributed to strong aggregate demand. This outcome was observed in most advanced economies and was in part reflective of a deliberate strategy to minimise the likelihood of worst-case scenarios for the economy, given significant uncertainty about the impacts of COVID-19.
- 8 Implementing AMP tools had a significant financial impact. AMP tools led to significant growth in the Bank's balance sheet: from total assets of \$42.3 billion pre-COVID-19 to \$88.9 billion as at 30 June 2023. This has resulted in significant direct losses (totalling around \$10.4 billion at the end of April 2025) on the Bank's balance sheet arising from the LSAP programme. These losses have been indemnified by the Crown. There will also have been indirect fiscal impacts (e.g. higher tax revenue) as a result of the MPC providing additional monetary stimulus, which may have offset these costs to some extent.
- 9 In 2022 the Reserve Bank published its own review of the formulation and implementation of monetary policy, which included an assessment of monetary policy performance between 2020 and 2022. While the review was peer reviewed by two independent experts, the review itself was not independent of the Reserve Bank.
- 10 New Zealand's broader response to COVID-19 is being reviewed by the Royal Commission of Inquiry into Lessons Learned from Aotearoa New Zealand's Response to COVID-19 That Should Be Applied in Preparation for a Future Pandemic (the COVID-19 Royal Commission). Decisions taken by the MPC are out of scope of the COVID-19 Royal Commission and instead will be addressed in this review.

**Objective and form of the review**

- 11 I propose that the purpose of the review be to provide an independent perspective on the MPC's performance during 2020 to 2022 and to provide lessons for future periods of instability.
- 12 The review of the Reserve Bank will be conducted under section 194 of the Reserve Bank of New Zealand Act 2021 (the Act). Under section 194 of the Act, as Minister, I may review the operations and performance of the Reserve Bank at any time (the MPC being a committee of the Reserve Bank). A review under section 194 requires the Reserve Bank to take all reasonable steps to co-operate with the review. I am required to consult the Reserve Bank on the purpose and nature of a section 194 review and to consider the submissions made by the Reserve Bank. The review will rely on voluntary participation by former MPC members. It is therefore important to maintain actual, and perceptions of, fairness and impartiality, including through the terms of reference, selection of credible reviewers and the Government's public communications.

**Terms of reference**

- 13 Proposed draft terms of reference for the review are included as Annex 1 of this report.
- 14 The terms of reference focus on decisions by the MPC, and analysis provided by the Reserve Bank to support those decisions, during the period 1 January 2020 through 31 December 2022, including preparations prior to 2020 for the event of reaching the effective lower bound on interest rates. The review includes:

**IN CONFIDENCE**

- 14.1 the information that was provided to the MPC to support their decision-making, including the Reserve Bank's forecasts
- 14.2 the MPC's decision-making strategy, processes and treatment of uncertainty, including its processes set out in the MPC Charter
- 14.3 the MPC's communications and forward guidance
- 14.4 the MPC's and the Reserve Bank's choices about the use and design of monetary policy tools, in particular whether the stimulus provided by the LSAP and FLP justified the risks to the public balance sheet and other costs, and
- 14.5 whether the MPC and the Treasury were effectively sharing information, whether the MPC appropriately calibrated monetary policy to the fiscal stance, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination
- 14.6 the MPC's consideration of the interaction of monetary policy with fiscal and macroprudential policy, and the impact on asset and house prices, and
- 14.7 any other matters necessary to meet the purpose of the Review.

**Selection of reviewers**

- 15 I intend to select two to three monetary policy experts to conduct the review. I will seek an internationally regarded monetary policy expert to lead the review. In practice, suitable candidates are likely to be overseas senior central bankers. I also intend to select New Zealand-based monetary policy experts to make up the panel of reviewers. I will confirm the reviewers in consultation with the Associate Ministers of Finance.

**Timeline**

- 16 I will report to Cabinet on the findings of the review and the Government's response.
- 17 The table below sets out key milestones for the review.

<b>Milestone</b>	<b>Timeframe</b>
Substantive review process underway	August-December 2025
Draft report	December 2025
Report finalised	March 2026

**Cost-of-living Implications**

- 18 The independent review of the monetary policy response to the COVID-19 pandemic promotes effective monetary policy and low and stable inflation. Macroeconomic stability – the predictability in variables including real output growth, inflation, and the current account deficit – can support resource allocation choices, investment, and economic growth. In turn, this protects New Zealanders' living standards from the negative effects of economic volatility such as periods of high inflation.

**IN CONFIDENCE****Financial Implications**

- 19 The review will be funded from within baselines, subject to approval to an expense transfer through the October Baseline Update. The total cost of the review will depend on the outcome of negotiations with the reviewers but could be up to \$500,000 in total. The funding is intended to cover the fees and expenses of the reviewers, any additional external analysis required, and independent external legal counsel to support the reviewer.
- 20 The Treasury will provide secretariat services to the review within baselines. Additional costs to the Reserve Bank are expected to be managed within its existing funding.

**Legislative Implications**

- 21 There are no direct legislative implications from the establishment of this review. I will report back to Cabinet on any legislative implications arising from the review.

**Use of external Resources**

- 22 This paper proposes the selection of two to three monetary policy experts to conduct the review. External-to-government reviewers are necessary to for the review to be seen as impartial and objective.
- 23 Fees paid to the independent reviewers will be included in reporting on the Treasury's use of contractors and consultants.

**Consultation**

- 24 I have consulted the Reserve Bank on the purpose and nature of the review and have considered the submission made by the Reserve Bank, in line with section 194 of the Reserve Bank Act.
- 25 I do not intend for public consultation to be undertaken as part of review. As the review is relatively technical in nature, I do not expect that public consultation would identify new information not already available from existing public commentary.

**Communications**

- 26 I intend to announce the review, including the terms of reference and reviewers when finalised.

**Proactive Release**

- 27 I intend to release this Cabinet paper in part within 30 business days of decisions being confirmed by Cabinet.

**Recommendations**

The Minister of Finance recommends that the Committee:

- 1 agree to establish an independent review of the monetary policy response to the COVID-19 pandemic, mainly under section 194 of the Reserve Bank of New Zealand Act 2021, to support accountability and public confidence in the operational

**IN CONFIDENCE**

- independence of monetary policy and inform the ongoing effectiveness of monetary policy;
- 2 agree that the terms of reference for the review focus on decisions taken by the Monetary Policy Committee (MPC), and analysis provided by the Reserve Bank to support those decisions, during the period 1 January 2020 through 31 December 2022, including preparations prior to 2020 for the event of reaching the effective lower bound on interest rates, including:
    - 2.1 the information that was provided to the MPC to support their decision-making, including the Reserve Bank's forecasts
    - 2.2 the MPC's decision-making strategy, processes and treatment of uncertainty, including its processes set out in the MPC Charter
    - 2.3 the MPC's communications and forward guidance
    - 2.4 the MPC's and the Reserve Bank's choices about the use and design of monetary policy tools, in particular whether the stimulus provided by the LSAP and FLP justified the risks to the public balance sheet and other costs
    - 2.5 whether the MPC and the Treasury were effectively sharing information, whether the MPC appropriately calibrated monetary policy to the fiscal stance, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination
    - 2.6 the MPC's consideration of the interaction of monetary policy with fiscal and macroprudential policy, and the impact on asset and house prices, and
    - 2.7 any other matters necessary to meet the purpose of the Review;
  - 3 authorise the Minister of Finance, in consultation with the Associate Ministers of Finance, to make changes to the terms of reference, including the scope of the review and the deadline for the final review report, in line with the policy intent of the review as set out in this paper;
  - 4 authorise the Minister of Finance, in consultation with the Associate Ministers of Finance, to approve the selection of two to three monetary policy experts to conduct the review;
  - 5 invite the Minister of Finance to report to Cabinet on the findings and recommendations of the review.

Hon Nicola Willis

**Minister of Finance**

## Hon Nicola Willis

Minister of Finance  
Minister for Economic Growth  
Minister for Social Investment



Professor Neil Quigley  
Chair, Reserve Bank Board  
[Neil.Quigley@rbnz.govt.nz](mailto:Neil.Quigley@rbnz.govt.nz)

Christian Hawkesby  
Governor, Reserve Bank  
[Christian.Hawkesby@rbnz.govt.nz](mailto:Christian.Hawkesby@rbnz.govt.nz)

Dear Neil and Christian

### **Re: Consultation on an external review of monetary policy**

During the period from 2020 to 2022, there were significant economic challenges caused by the COVID-19 pandemic. In response to these economic challenges, the Monetary Policy Committee (MPC) took unprecedented monetary policy actions.

The Reserve Bank of New Zealand (the Bank) published the Review and Assessment of the Formulation and Implementation of Monetary Policy, which included an assessment of monetary policy performance between 2020 and 2022. Whilst the Bank commissioned independent experts to provide peer review, this review was not independent of the Reserve Bank.

As such, I am considering an external review to provide the Government with an independent perspective on the MPC's performance during 2020 to 2022. This will ensure there is appropriate transparency over the MPC's performance during a period of significant economic challenges, and will help identify lessons for future episodes of instability.

I am considering undertaking the review under section 194 of the Reserve Bank of New Zealand Act 2021. Draft terms of reference for the review are attached. I welcome your views by 11 July 2025.

Yours sincerely

Hon Nicola Willis  
**Minister of Finance**

**IN-CONFIDENCE****List of suitable candidates to conduct a review of the monetary policy response to the COVID-19 pandemic****Criteria and characteristics sought**

1. The Review will be conducted by a panel of 2-3 reviewers. The lead reviewer is intended to be an international economist.
2. The ideal candidates will have the following characteristics:
  - a Monetary policy expertise –
    - a deep knowledge of contemporary monetary policy theory and research
    - a thorough understanding of international best practice monetary policy frameworks and decision-making
    - a track-record of analysing economic information to make monetary policy decisions (e.g., experience serving on a monetary policy committee or similar).
  - b Impartial and objective –
    - was ideally not involved in making similar decisions in other jurisdictions to those made by the Reserve Bank's MPC over the period under review
    - would not create risks to public perceptions of bias
    - has no other potential conflicts or perceptions of conflicts that undermines perceptions of impartiality and objectivity.
  - c Ability to deliver –
    - a track record in delivering similar reviews (e.g., if the reviewer has reviewed a central bank before)
    - available to complete the work in the time available.

**Top New Zealand candidates who stand out against the criteria**

<b>Person</b>	<b>Qualifying characteristics</b>
<b>Alan Bollard</b>	Governor of the Reserve Bank of New Zealand from 2002 to 2012, including during the Global Financial Crisis, Secretary to the New Zealand Treasury from 1997-2002, Chair of the New Zealand Infrastructure Commission 2019-2024. Currently a Commissioner at the Tertiary Education Commission, amongst other directorships.
<b>David Archer</b>	Former Reserve Bank Assistant Governor, former Head of the Central Banking Studies unit at the Bank for International Settlements. International expert on the governance arrangements and institutional design features of central banks.  Mr Archer is a beneficiary of the Reserve Bank staff superannuation and provident fund. There is a potential perception of a conflict given the ongoing dispute between the Reserve Bank and the trustees of the Reserve Bank superannuation fund.
s9(2)(a) and s9(2)(b)(ii)	

**IN-CONFIDENCE**

	s9(2)(a) and s9(2)(b)(ii)
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**Other potential New Zealand candidates**

Person	Qualifying characteristics
<b>John Whitehead</b>	Secretary to the Treasury from 2003 to 2011, former executive Director on the Board of the World Bank Group, Commissioner on Phase 1 of the Royal Commission COVID-19 Lessons Learned.
s9(2)(a) and s9(2)(b)(ii)	
s9(2)(a)	
<b>Cameron Bagrie</b>	Chief Economist at ANZ 2006-2011.

**Top international candidates who stand out against the criteria**

Person	Qualifying characteristics
<b>Kristin Forbes</b>	External Member of the Bank of England MPC (2014-2017), White House Council of Economic Advisors (2003-05), currently a professor at Massachusetts Institute of Technology. Reviewed the Bank of Canada’s own COVID-19 review. Was also involved in a 2018 Central Bank of Iceland review.
<b>Carolyn Wilkens</b>	Deputy Governor Bank of Canada 2014-December 2020 (note this period overlaps with the period of the proposed review), and current external member of Bank of England Financial Policy Committee. She was a panellist on the 2023 Reserve Bank of Australia review.
<b>Athanasios Orphanides</b>	Prominent researcher on monetary policy, Governor of Central Bank of Cyprus 2007-2012, and member of Governing council of the European Central Bank 2008-2012. Amongst other roles he is currently involved in Asia school of business, and he has visited New Zealand a few times before.

**IN-CONFIDENCE**

	Advised on some other central bank reviews (Reserve Bank of Australia 2023, Central Bank of Iceland 2018).
s9(2)(a)	
s9(2)(a)	
s9(2)(a)	

**Further international candidates who appear suitable**

Person	Qualifying characteristics
s9(2)(a) and s9(2)(b)(ii)	
s9(2)(a)	
<b>Renée Fry-McKibbin</b>	<p>Professor of Economics at the Crawford School of Public Policy, Australian National University and a non-executive member of the Reserve Bank of Australia’s Monetary Policy Board since 1 March 2025.</p> <p>On the panel of the 2022-23 Reserve Bank of Australia review.</p> <p>Married to Warwick McKibbin who was a reviewer of the Reserve Bank of New Zealand’s 2022 review of monetary policy.</p>
<b>Ben Bernanke</b>	<p>Chair of the Federal Reserve Board of Governors 2006-2014.</p> <p>Undertook a review of the Bank of England’s forecasting during COVID in 2024 (although this was much more technical than what the review proposed for New Zealand).</p> <p>Keynote speaker at the Reserve Bank of New Zealand’s conference on 6-7 March 2025.</p>
<b>Andrew Haldane</b>	<p>Chief economist at the Bank of England and MPC member 2014- 30 June 2021 (note this period overlaps with the period of the proposed review).</p> <p>Now Head of the Royal Society.</p>

## IN CONFIDENCE



TE TAI ŌHANGA  
THE TREASURY

## Treasury Report: Independent review of monetary policy: Update on consultation and next steps

<b>Date:</b>	29 July 2025	<b>Report No:</b>	T2025/1908
		<b>File Number:</b>	MC-1-3-2-M123148

### Action sought

	Action sought	Deadline
Hon Nicola Willis <b>Minister of Finance</b>	<p><b>Approve</b> the recommended changes to the draft terms of reference.</p> <p><b>Authorise</b> the Cabinet paper for lodgement.</p> <p><b>Indicate</b> your preferred Cabinet committee meeting date.</p>	31 July 2025, 10am (if targeting Cabinet Business Committee on 4 August)

### Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Sam Thornton	Senior Analyst, Macroeconomic and Fiscal Policy	s9(2)(k)	s9(2)(g)(ii) ✓
Alex Hamilton	Acting Manager, Macroeconomic and Fiscal Policy		N/A (mob)

### Minister's Office actions (if required)

**Return** the signed report to Treasury.

**Lodge** the attached Cabinet paper and terms of reference with the Cabinet Office for the Minister's preferred Cabinet committee meeting.

Note any  
feedback on  
the quality of  
the report

**Enclosure:** Yes

**IN CONFIDENCE****Treasury Report: Independent review of monetary policy: Update on consultation and next steps**

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**Purpose of report**

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1. This report updates you on consultation on the proposal to establish an independent review of monetary policy (the review) and seeks approval to lodge a paper for consideration by Cabinet in August.
2. The Treasury will begin contacting potential reviewers soon to test their interest, availability and fees. We will keep your office updated on progress, and we will seek your approval to the final selection, likely in late August or early September 2025.

**Background**

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3. You have asked for support establishing a review to gain an independent perspective on the performance of monetary policy during the COVID-19 period, and to provide lessons for future periods of instability. The Treasury provided you with draft terms of reference and lists of potential reviewers in May and June 2025 [T2025/1230 and T2025/1665 refer].

**Update on consultation**

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4. You recently consulted:
  - a Ministers and coalition parties on the review's draft terms of reference and a short-list of potential reviewers, and
  - b the Reserve Bank on the draft terms of reference (as the review will be conducted under section 194 of the Reserve Bank Act, you are required to consult the Reserve Bank and consider its submissions).
5. You received feedback from the Prime Minister's Office, the Office of Hon. David Seymour and the Reserve Bank. No significant concerns were raised. Table 1 summarises the feedback and our proposed responses. The letter from the Reserve Bank is also attached to this report.
6. An updated Cabinet paper and terms of reference are attached to this report which incorporate our recommended changes. We have also made editorial changes to the Cabinet paper to improve readability.

**IN CONFIDENCE***Table 1. Summary of feedback on draft terms of reference*

<b>Feedback</b>	<b>Recommended response</b>
<p><b>Prime Minister's Office:</b> Completing the review by March 2026 will be challenging.</p>	<p><b>The Cabinet paper has been updated to reflect the review's ambitious timeline.</b> We agree the timeline is ambitious. The short timeline is consistent with your intention to keep the review targeted and supports the Reserve Bank to move forward from the COVID-19 period, considering the review's findings and recommendations. We have updated the Cabinet paper to reflect this intention. In addition, the draft Cabinet paper seeks authorisation for you, in consultation with the Associate Ministers of Finance, to adjust the review deadlines if necessary (e.g. if the preferred reviewers recommend changes to the timing of the review).</p>
<p><b>Office of Hon David Seymour:</b> Whether it is the right time to commission an independent review of monetary policy.</p>	<p><b>No changes to the Cabinet paper or terms of reference.</b> Our previous advice noted risks relating to the review and its timing, including overlaps with the COVID-19 Royal Commission and that the review would come at a time when the Reserve Bank is managing significant leadership and organisational changes. Delaying the review would mitigate these risks to some extent, but it would also extend the passage of time since the events to be reviewed.</p>
<p><b>Prime Minister's Office and the Reserve Bank:</b> The review's assessment of the Large Scale Asset Purchase (LSAP) programme and Funding for Lending (FLP) programme should be widened to capture the impact the LSAP played in stabilising markets, and the broader fiscal benefits through lowering Crown borrowing costs and increasing tax revenue.</p>	<p><b>Amend section 12.4 of the terms of reference to support a more comprehensive assessment of the costs and benefits of the LSAP and FLP.</b> We agree that the review's assessment of the LSAP and FLP should be as comprehensive as possible. We recommend adopting the amendment to the terms of reference proposed by the Reserve Bank in its letter to you.</p>
<p><b>Reserve Bank:</b> Any recommendations related to the objectives of monetary policy would be best addressed as part of the 5-yearly formal review of the monetary policy committee's remit, which is due by mid-2028, to support stability in the objectives of monetary policy.</p>	<p><b>Cabinet paper updated to reflect the Reserve Bank's feedback and your intention to consider the timing of any monetary policy remit changes at the conclusion of the review. No changes to the terms of reference.</b> We agree there are benefits to stability in the objectives of monetary policy by progressing changes to the monetary policy remit through the regular remit review process. We recommend you consider the timing and process for framework changes once you have received the review's findings and recommendations and taken advice on the specific issues. The terms of reference do not indicate the timing of any framework changes arising from the review, so we do not recommend amendments to the terms of reference.</p>

**IN CONFIDENCE****Next steps**

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7. We seek your approval to lodge the Cabinet paper for consideration at your preferred Cabinet committee in August. The independent review fits most closely within the topics covered by the Cabinet Expenditure and Regulatory Review Committee, but other committees would also be appropriate.
8. The specific timing of Cabinet's consideration in August does not slow down the review's overall timeline. The Treasury will be contacting and securing the reviewers during August, and potentially into September if necessary.

*Table 2. Options for Cabinet committee meetings to consider the independent review*

<b>Date</b>	<b>Cabinet Committee</b>	<b>Comment</b>
4 August 2025	Cabinet Business Committee (CBC)	Cabinet paper due for lodgement by 10am, 31 July 2025.
12 August 2025	Cabinet Expenditure and Regulatory Review Committee (EXP)	You will be unavailable to attend this Cabinet committee meeting due to overseas travel, but you could consider asking an Associate Minister of Finance to take the paper on your behalf.
20 August 2025	Cabinet Economic Policy Committee (ECO)	

9. We will begin contacting potential reviewers soon to test their interest, availability and fees. You previously gave approval for the Treasury to begin contacting potential reviewers at the conclusion of consultation [T2025/1665 refer]. We will keep your office updated on progress, and we will seek your approval to the final selection, in consultation with the Associate Ministers of Finance, likely in late August or early September 2025.

**IN CONFIDENCE****Recommended actions**

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We recommend that you:

- a **agree** to the attached draft terms of reference for the independent review of monetary policy, including the amendment to section 12.4 proposed by the Reserve Bank to support a more comprehensive assessment of the costs and benefits of the Large Scale Asset Purchase programme and Funding for Lending programme.

*Agree/disagree*

EITHER

- b **approve** the attached Cabinet paper for submission to the Cabinet Business Committee's meeting on 4 August 2025, if you would like to take the paper to Cabinet before your mid-August overseas travel.

*Approved/not approved*

OR

- c **approve** the attached Cabinet paper for submission to the Cabinet Expenditure and Regulatory Review Committee's meeting on 12 August 2025 and indicate which Associate Minister of Finance you would like to take the Cabinet paper on your behalf.

*Approved/not approved*

*Associate Minister of Finance to take paper on your behalf: \_\_\_\_\_*

OR

- d **approve** the attached Cabinet paper for submission to the Cabinet Economic Policy Committee's meeting on 20 August 2025, if you would like to take the paper to Cabinet when you return from overseas travel.

*Approved/not approved*

Alex Hamilton  
**Acting Manager, Macroeconomic and Fiscal Policy**

Hon Nicola Willis  
**Minister of Finance**

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IN CONFIDENCE



24 July 2025

Hon Nicola Willis  
Minister of Finance  
Parliament  
Wellington

Dear Minister Willis

Thank you for your letter received 10 July seeking our views on a proposed external review of monetary policy covering the 2020 to 2022 period.

As noted in your letter, the Reserve Bank published a Review and Assessment of the Formulation and Implementation of Monetary Policy in November 2022, largely covering this period. This report was peer reviewed by two international experts. The Bank has made significant progress in implementing the recommendations of that review.

The Bank will fully cooperate with the external review if you choose to proceed. The Bank has two points of feedback on the Terms of Reference of the proposed Review.

Section 10.2 of the terms of reference suggests that the Review “includes commentary around potential changes to the frameworks”. The MPC Remit is an important component of the monetary policy framework. While this can be reviewed at any time, there are benefits to stability in the objectives of monetary policy. We suggest that any recommendations related to the objectives of monetary policy would be best addressed as part of the 5-yearly formal review of the MPC Remit, which is due by mid-2028.

Section 12.4 of the terms of reference includes an assessment of whether the stimulus provided by the LSAP and FLP programmes justified the risks to the public balance sheet and other costs. We note that this frames the benefits and costs associated with these tools in narrow terms and should be widened to capture the impact LSAPs played in stabilising markets, and their broader fiscal benefits through lowering Crown borrowing costs and increasing tax revenue. This could be achieved by amending 12.4.1 and 12.4.2 as below:

- 12.4.1 Whether the benefits provided by the LSAP programme justified the risks and costs, and
- 12.4.2 Whether the benefits provided by the Funding for Lending Programme justified the risks and costs.

Yours sincerely



Christian Hawkesby  
Governor

**I N C O N F I D E N C E****Independent review of the monetary policy response to the COVID-19 pandemic****Terms of reference**

1. The Minister of Finance is commissioning an independent review of the monetary policy response to the COVID-19 pandemic (the Review) to support accountability and public confidence in the operational independence of monetary policy and inform the ongoing effectiveness of monetary policy.
2. One part of the Review is conducted under section 194 of the Reserve Bank of New Zealand Act 2021 (the Act). The Monetary Policy Committee (MPC) is a committee of the Reserve Bank under section 97 of the Act. As required under section 194, the Minister has consulted the Reserve Bank on the purpose and nature of this Review and has considered the submissions made by the Reserve Bank on the proposed Review.
3. Another part of the Review will consider whether the MPC and the Treasury were effectively sharing information, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination.

**Background**

4. The Reserve Bank's MPC is required under the Act to formulate monetary policy. The Reserve Bank implements monetary policy formulated by the MPC.
5. During 2020 to 2022, there were significant economic challenges arising from the COVID-19 pandemic. In response, the MPC took unprecedented monetary policy actions. These included reducing the Official Cash Rate (OCR) to 0.25%, providing specific forward guidance about the OCR, and using Additional Monetary Policy (AMP) tools for the first time. The AMP tools used included the Large Scale Asset Purchase (LSAP) programme and the Funding for Lending Programme (FLP).
6. From late 2020, New Zealand's economic recovery was stronger than expected. House prices increased, and from early 2021 consumer price inflation began to rise. From late 2021, the MPC began to increase the OCR in response. Between 2021Q1 and 2023Q1, CPI inflation averaged 5.8%, compared to the midpoint of the MPC's inflation target of 2.0%. There were also fiscal implications associated with the use of AMP tools. As of the end of June 2025, direct interest rate losses to the Crown from the LSAP programme were estimated to be around \$10.6 billion.
7. In November 2022, the Reserve Bank released its review of the formulation and implementation of monetary policy in the five years ended October 2022, as was required under section 131 of the Act.<sup>1</sup> The Reserve Bank commissioned two external peer reviews of this report.<sup>2</sup>
8. New Zealand's broader response to COVID-19 is being reviewed by the Royal Commission of Inquiry into Lessons Learned from Aotearoa New Zealand's Response to COVID-19 That Should Be Applied in Preparation for a Future Pandemic (the COVID-19 Royal Commission). Decisions taken by the MPC are out of scope of the COVID-19 Royal Commission and instead will be addressed in this Review.<sup>3</sup>

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<sup>1</sup> <https://www.rbnz.govt.nz/hub/publications/monetary-policy-statement/rafimp>

<sup>2</sup> <https://www.rbnz.govt.nz/monetary-policy/about-monetary-policy/rafimp/a-summary-of-rafimp>

<sup>3</sup> Clause 6(1) of Schedule 2 of the Royal Commission of Inquiry (COVID-19 Lessons) Amendment Order (No 2) 2024.

**I N C O N F I D E N C E****Purpose and nature of the Review**

9. The purpose of the Review is to:
  - 9.1. support accountability and public confidence in the operational independence of monetary policy, and
  - 9.2. improve the ongoing effectiveness of monetary policy.
10. The Review will:
  - 10.1. assess the performance of the monetary policy response to the COVID-19 pandemic against the objectives of monetary policy that applied at the time, having regard to what was known and could reasonably have been known in the circumstances, and relevant decisions made by comparable central banks, and
  - 10.2. make recommendations to improve the monetary policy response to future shocks, including commentary around potential changes to the frameworks, having regard to the benefits of hindsight.
11. The focus of the Review is on decisions by the MPC, and analysis provided by the Reserve Bank to support those decisions, during the period 1 January 2020 through 31 December 2022,<sup>4</sup> and preparations from 1 April 2019 for the event of reaching the effective lower bound on interest rates.<sup>5</sup>
12. The following matters are in scope of the Review:
  - 12.1. the information that was provided to the MPC to support their decision-making, including the Reserve Bank's forecasts
  - 12.2. the MPC's decision-making strategy, processes and treatment of uncertainty, including its processes set out in the MPC Charter<sup>6</sup>
  - 12.3. the MPC's communications and forward guidance
  - 12.4. the MPC's and the Reserve Bank's choices about the use and design of monetary policy tools, in particular:
    - 12.4.1. whether the benefits provided by the LSAP justified the risks and costs, and
    - 12.4.2. whether the benefits provided by the FLP justified the risks and costs.
  - 12.5. whether the MPC and the Treasury were effectively sharing information, whether the MPC appropriately calibrated monetary policy to the fiscal stance, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination

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<sup>4</sup> The period runs from 1 January 2020, around when COVID-19 began to be recognised as an economic risk, through to the end of 2022, by which time most COVID-19 restrictions had ended and the MPC had responded to elevated inflation.

<sup>5</sup> The period extends back to the MPC's establishment on 1 April 2019.

<sup>6</sup> Refer <https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/monetary-policy/about-monetary-policy/december-2023-monetary-policy-committee-charter.pdf>

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- 12.6. the MPC's consideration of the interaction of monetary policy with fiscal and macroprudential policy, and the impact on asset and house prices, and
- 12.7. any other matters necessary to meet the purpose of the Review.
13. The following matters are out of scope of the Review:
  - 13.1. the Reserve Bank's functions aside from monetary policy. However, areas of overlap between monetary policy and the Reserve Bank's other functions are in scope, such as interactions between monetary policy and macroprudential policy.
  - 13.2. the Reserve Bank Board's monitoring of the performance of the MPC and individual MPC members
  - 13.3. the fiscal response to the COVID-19 pandemic, as this was not a decision by the MPC or the Reserve Bank
  - 13.4. the Government's decision to indemnify the Reserve Bank in respect of any financial losses associated with the LSAP programme, as this was not a decision by the MPC or the Reserve Bank.
14. The Review will operate as follows:
  - 14.1. The Review is to assess the collective decisions of the MPC as a whole, not individual MPC members.
  - 14.2. The Review will draw on:
    - 14.2.1. written material the MPC considered during the period under review
    - 14.2.2. previous reviews, such as Reserve Bank's 2022 Review and Assessment of the Formulation and Implementation of Monetary Policy<sup>7</sup>
    - 14.2.3. public commentary on monetary policy
    - 14.2.4. interviews with people who were MPC members for a year or more during the period under review,<sup>8</sup> and
    - 14.2.5. any other information or people the reviewers consider, at their discretion, would help the reviewers make their assessment based on these terms of reference.
  - 14.3. It is not expected that the reviewers will seek public submissions.
15. The reviewers will provide a draft report for comment in December 2025 to the MPC members from the period under review (including those on the MPC for less than a year), the Treasury, and the Reserve Bank. The reviewers will provide a final report in March 2026. The report is to be no longer than 40 pages.

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<sup>7</sup> <https://www.rbnz.govt.nz/monetary-policy/about-monetary-policy/rafimp>

<sup>8</sup> The following individuals were MPC members for a year or more during the period under review: Adrian Orr, Geoff Bascand, Christian Hawkesby, Yuong Ha, Bob Buckle, Peter Harris, and Caroline Saunders.

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**Independent review of the monetary policy response to the COVID-19 pandemic**

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**Draft terms of reference**

1. The Minister of Finance is commissioning an independent review of the monetary policy response to the COVID-19 pandemic (the Review) to support accountability and public confidence in the operational independence of monetary policy and inform the ongoing effectiveness of monetary policy.
2. One part of the Review is conducted under section 194 of the Reserve Bank of New Zealand Act 2021 (the Act). The Monetary Policy Committee (MPC) is a committee of the Reserve Bank under section 97 of the Act. As required under section 194, the Minister has consulted the Reserve Bank on the purpose and nature of this Review and has considered the submissions made by the Reserve Bank on the proposed Review.
3. Another part of the Review will consider whether the MPC and the Treasury were effectively sharing information, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination.

**Background**

4. The Reserve Bank’s MPC is required under the Act to formulate monetary policy. The Reserve Bank implements monetary policy formulated by the MPC.
5. During 2020 to 2022, there were significant economic challenges arising from the COVID-19 pandemic. In response, the MPC took unprecedented monetary policy actions. These included reducing the Official Cash Rate (OCR) to 0.25%, providing specific forward guidance about the OCR, and using Additional Monetary Policy (AMP) tools for the first time. The AMP tools used ~~were~~ included the Large Scale Asset Purchase (LSAP) programme and the Funding for Lending Programme (FLP).
6. From late 2020, New Zealand’s economic recovery was stronger than expected. House prices increased, and from early 2021 consumer price inflation began to rise. From late 2021, the MPC began to increase the OCR in response. Between 2021Q1 and 2023Q1, CPI inflation averaged 5.8%, compared to the midpoint of the MPC’s inflation ~~objective~~ target of 2.0%. There were also fiscal implications associated with the use of AMP tools. As of the end of ~~April~~ June 2025, direct interest rate losses to the Crown from the LSAP programme ~~are~~ were estimated to be around \$10.46 billion.
7. In November 2022, the Reserve Bank released its review of the formulation and implementation of monetary policy in the five years ended October 2022, as was required under section 131 of the Act.<sup>1</sup> The Reserve Bank commissioned two external peer reviews of this report.<sup>2</sup>
8. New Zealand’s broader response to COVID-19 is being reviewed by the Royal Commission of Inquiry into Lessons Learned from Aotearoa New Zealand’s Response to COVID-19 That Should Be Applied in Preparation for a Future Pandemic (the COVID-19 Royal Commission). Decisions taken by the MPC are out of scope of the COVID-19 Royal Commission and instead will be addressed in this Review.<sup>3</sup>

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<sup>1</sup> <https://www.rbnz.govt.nz/hub/publications/monetary-policy-statement/rafimp>

<sup>2</sup> <https://www.rbnz.govt.nz/monetary-policy/about-monetary-policy/rafimp/a-summary-of-rafimp>

<sup>3</sup> Clause 6(1) of Schedule 2 of the Royal Commission of Inquiry (COVID-19 Lessons) Amendment Order (No 2) 2024.

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**Purpose and nature of the Review**

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- 9. The purpose of the Review is to:
  - 9.1. support accountability and public confidence in the operational independence of monetary policy, and
  - 9.2. improve the ongoing effectiveness of monetary policy.
- 10. The Review will:
  - 10.1. assess the performance of the monetary policy response to the COVID-19 pandemic against the objectives of monetary policy that applied at the time, having regard to what was known and could reasonably have been known in the circumstances, and relevant decisions made by comparable central banks, and
  - 10.2. make recommendations to improve the monetary policy response to future shocks, including commentary around potential changes to the frameworks, having regard to the benefits of hindsight.

11. The focus of the Review is on decisions by the MPC, and analysis provided by the Reserve Bank to support those decisions, during the period 1 January 2020 through 31 December 2022,<sup>4</sup> and preparations from 1 April 2020<sup>5</sup> for the event of reaching the effective lower bound on interest rates.<sup>5</sup>

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- 12. The following matters are in scope of the Review:
  - 12.1. the information that was provided to the MPC to support their decision-making, including the Reserve Bank’s forecasts
  - 12.2. the MPC’s decision-making strategy, processes and treatment of uncertainty, including its processes set out in the MPC Charter,<sup>6</sup>
  - 12.3. the MPC’s communications and forward guidance
  - 12.4. the MPC’s and the Reserve Bank’s choices about the use and design of monetary policy tools, in particular:
    - 12.4.1. whether the ~~stimulus benefits~~ provided by the LSAP justified the risks ~~to the public balance sheet and other costs~~, and
    - 12.4.2. whether the ~~stimulus benefits~~ provided by the ~~Funding for Lending Programme~~ FLP justified the risks ~~to the public balance sheet and other costs~~.
  - 12.5. whether the MPC and the Treasury were effectively sharing information, whether the MPC appropriately calibrated monetary policy to the fiscal stance, and what

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<sup>5</sup> The period extends back to the MPC’s establishment on 1 April 2019.  
<sup>6</sup> Refer <https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/monetary-policy/about-monetary-policy/december-2023-monetary-policy-committee-charter.pdf>

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improvements could be made to the framework and operation of monetary and fiscal policy coordination

- 12.6. the MPC’s consideration of the interaction of monetary policy with fiscal and macroprudential policy, and the impact on asset and house prices, and
- 12.7. any other matters necessary to meet the purpose of the Review.

13. The following matters are out of scope of the Review:

- 13.1. the Reserve Bank’s functions aside from monetary policy. However, areas of overlap between monetary policy and the Reserve Bank’s other functions are in scope, such as interactions between monetary policy and macroprudential policy.
- 13.2. the Reserve Bank Board’s monitoring of the performance of the MPC and individual MPC members
- 13.3. the fiscal response to the COVID-19 pandemic, as this was not a decision by the MPC or the Reserve Bank
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- 14.1. The Review is to assess the collective decisions of the MPC as a whole, not individual MPC members.
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- 14.2.1. written material the MPC considered during the period under review
- 14.2.2. previous reviews, such as Reserve Bank’s 2022 Review and Assessment of the Formulation and Implementation of Monetary Policy<sup>7</sup>,
- 14.2.3. public commentary on monetary policy
- 14.2.4. interviews with people who were MPC members for a year or more during the period under review,<sup>8</sup> and
- 14.2.5. any other information or people the reviewers consider, at their discretion, would help the reviewers make their assessment based on these terms of reference.

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14.3. It is not expected that the reviewers will seek public submissions.

15. The reviewers will provide a draft report for comment in December 2025 to the MPC members from the period under review (including those on the MPC for less than a

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year), the Treasury, and the Reserve Bank. The reviewers will provide a final report in March 2026. The report is to be no longer than 40 pages.

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**I N C O N F I D E N C E****In Confidence**

Office of the Minister of Finance

Cabinet Expenditure and Regulatory Review Committee

**Independent review of monetary policy****Proposal**

- 1 This paper seeks agreement to establish an independent review of the monetary policy response to the COVID-19 pandemic. The purpose of the review is to support accountability and public confidence in the operational independence of monetary policy and to inform the ongoing effectiveness of monetary policy.

**Relation to government priorities**

- 2 An independent review of the monetary policy response to the COVID-19 pandemic supports the Government's priority to create a stable and predictable economic environment. It builds on actions the Government has already taken to support macroeconomic stability, including passing legislation to return the Reserve Bank to a single focus on price stability, constraining growth in government spending, and reducing costs on business.

**Executive summary**

- 3 I propose engaging two monetary policy experts to provide an independent perspective on the Monetary Policy Committee's (MPC) performance during 2020 to 2022 and to make recommendations to improve the monetary policy response to future shocks.
- 4 The MPC took unprecedented actions in response to significant economic challenges during the COVID-19 pandemic. From early 2021, inflation began to rise and was persistently above the MPC's target until the September 2024 quarter.
- 5 I expect the review to be completed by March 2026. I will update Cabinet on the findings and recommendations of the review when available.

**Background**

- 6 The COVID-19 pandemic caused significant economic challenges over the 2020-22 period. In response to these economic challenges, the MPC took unprecedented monetary policy actions, including reducing the OCR to 0.25%, with specific forward guidance it would remain at that level for 12 months, and using Additional Monetary Policy tools for the first time, including the Large Scale Asset Purchase (LSAP) programme and the Funding for Lending (FLP) programme.
- 7 From early 2021, inflation began to rise and was persistently above the MPC's inflation target until the September 2024 quarter. Although the rise in inflation partly reflected supply-side factors (disruptions associated with COVID-19 and Russia's invasion of Ukraine), estimates by the Treasury indicate that the rise in inflation can also be attributed to strong aggregate demand. This outcome was observed in most advanced

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economies and in part reflected a deliberate strategy to minimise the likelihood of worst-case scenarios for the economy, given significant uncertainty about the impacts of COVID-19.

- 8 The LSAP programme has resulted in significant direct losses (totalling around \$10.6 billion at the end of June 2025) to the Reserve Bank. While these losses have been indemnified by the Crown, the Reserve Bank is included in the consolidated financial statements of Government. There will also have been indirect fiscal impacts (e.g., higher tax revenue) as a result of the MPC providing additional monetary stimulus, which may have offset these costs to some extent.
- 9 In 2022 the Reserve Bank published its own review of the formulation and implementation of monetary policy, which included an assessment of monetary policy performance between 2020 and 2022. While the review was peer reviewed by two independent experts, the review itself was not independent of the Reserve Bank.
- 10 New Zealand's broader response to COVID-19 is being reviewed by the Royal Commission of Inquiry into Lessons Learned from Aotearoa New Zealand's Response to COVID-19 That Should Be Applied in Preparation for a Future Pandemic (the COVID-19 Royal Commission). Decisions taken by the MPC are out of scope of the COVID-19 Royal Commission and instead will be addressed in this review.

**Form of the review**

- 11 The main part of the review will be conducted under section 194 of the Reserve Bank of New Zealand Act 2021 (the Act). Under section 194 of the Act, as Minister of Finance, I may review the operations and performance of the Reserve Bank at any time (the MPC being a committee of the Reserve Bank). Under section 194, the Reserve Bank must take all reasonable steps to co-operate with the review. The review will cover some matters beyond the operations and performance of the Reserve Bank, for example whether the Treasury was effectively sharing information with the MPC. For these matters the review will be non-statutory in nature.
- 12 I have consulted the Reserve Bank on the purpose and nature of the review, and I have considered their submission, as required under section 194.

**Terms of reference**

- 13 Proposed draft terms of reference for the review are attached.
- 14 The terms of reference focus on decisions by the MPC, and analysis provided by the Reserve Bank to support those decisions, during the period 1 January 2020 through 31 December 2022, and preparations from 1 April 2019 for the event of reaching the effective lower bound on interest rates.

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- 15 The review includes:
- 15.1 the information that was provided to the MPC to support their decision-making, including the Reserve Bank's forecasts
  - 15.2 the MPC's decision-making strategy, processes and treatment of uncertainty, including its processes set out in the MPC Charter
  - 15.3 the MPC's communications and forward guidance
  - 15.4 the MPC's and the Reserve Bank's choices about the use and design of monetary policy tools, in particular whether the benefits provided by the LSAP and FLP justified the risks and costs
  - 15.5 whether the MPC and the Treasury were effectively sharing information, whether the MPC appropriately calibrated monetary policy to the fiscal stance, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination
  - 15.6 the MPC's consideration of the interaction of monetary policy with fiscal and macroprudential policy, and the impact on asset and house prices, and
  - 15.7 any other matters necessary to meet the purpose of the review.
- 16 Amendments to the terms of reference may be required following consultation with the preferred reviewers. I therefore seek Cabinet's authorisation to make changes to the terms of reference, in consultation with the Associate Ministers of Finance, in line with the policy intent of the review as set out in this paper.

**Selection of reviewers**

- 17 I intend to select two monetary policy experts to conduct the review. I will seek an internationally regarded monetary policy expert to lead the review, supported by a New Zealand-based monetary policy expert.
- 18 I will confirm the selection of reviewers in consultation with the Associate Ministers of Finance. The Treasury is currently contacting potential reviewers to gauge their interest and availability.

**Timeline**

- 19 I will report to Cabinet on the findings of the review and the Government's response.
- 20 The table below sets out key indicative milestones for the review. These timelines are ambitious but seek to keep the review targeted and support the Reserve Bank to move forward from the COVID-19 period taking account of the review's findings and recommendations.
- 21 Amendments to the review timeline may be required following consultation with the preferred reviewers. I therefore seek Cabinet's authorisation to make changes to the timing of the review in consultation with the Associate Ministers of Finance.

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<b>Milestone</b>	<b>Timeframe</b>
Substantive review process underway	From September-December 2025
Draft report for consultation with the Reserve Bank, the Treasury, the Minister of Finance, and other affected parties (e.g., former MPC members)	December 2025
Report finalised	March 2026

**Cost-of-living implications**

- 22 An independent review of the monetary policy response to the COVID-19 pandemic promotes low and stable inflation. Macroeconomic stability – the predictability in variables including real output growth, inflation, and the current account deficit – can support resource allocation choices, investment, and economic growth. In turn, this protects New Zealanders’ living standards from the negative effects of economic volatility such as periods of high inflation.

**Financial implications**

- 23 The review will be funded from within baselines, subject to approval of an expense transfer through the October Baseline Update. The total cost of the review will depend on the outcome of negotiations with the reviewers but could be up to \$500,000 in total. The funding is intended to cover the fees and expenses of the reviewers, any additional external secretariat services, and independent external legal counsel to support the reviewers.
- 24 Any other additional costs to the Treasury or the Reserve Bank are expected to be managed within existing funding.

**Legislative implications**

- 25 There are no direct legislative implications from the establishment of the review. I will report back to Cabinet on any legislative implications arising from the review’s recommendations.

**Use of external resources**

- 26 This paper proposes the selection of two monetary policy experts to conduct the review. External-to-government reviewers are necessary for the review to be seen as impartial and objective.
- 27 Fees paid to the independent reviewers will be included in reporting on the Treasury’s use of contractors and consultants.

**Consultation**

- 28 I have consulted the Reserve Bank on the purpose and nature of the review and have considered the submission made by the Reserve Bank, in line with section 194 of the Reserve Bank Act. I have adopted the Reserve Bank’s suggestion to broaden the review’s assessment of the cost and benefits LSAP and FLP programmes. I also acknowledge the Reserve Bank’s comment that the objectives of monetary policy would be best addressed as part of the 5-yearly formal review of the monetary policy

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committee's remit, which is due by mid-2028. I will consider the timing of any monetary policy remit changes at the conclusion of the review.

29 I do not intend for public consultation to be undertaken as part of the review.

**Communications**

30 I intend to announce the review once the terms of reference and reviewers are finalised.

**Proactive release**

31 I intend to release this Cabinet paper in part within 30 business days of decisions being confirmed by Cabinet.

**Recommendations**

The Minister of Finance recommends that the Committee:

- 1 agree to establish an independent review of the monetary policy response to the COVID-19 pandemic, mainly under section 194 of the Reserve Bank of New Zealand Act 2021, to support accountability and public confidence in the operational independence of monetary policy and inform the ongoing effectiveness of monetary policy;
- 2 agree that the terms of reference for the review focus on decisions taken by the MPC, and analysis provided by the Reserve Bank to support those decisions, during the period 1 January 2020 through 31 December 2022, and preparations from 1 April 2019 for the event of reaching the effective lower bound on interest rates, including:
  - 2.1 the information that was provided to the MPC to support their decision-making, including the Reserve Bank's forecasts
  - 2.2 the MPC's decision-making strategy, processes and treatment of uncertainty, including its processes set out in the MPC Charter
  - 2.3 the MPC's communications and forward guidance
  - 2.4 the MPC's and the Reserve Bank's choices about the use and design of monetary policy tools, in particular whether the benefits provided by the LSAP and FLP justified the risks and costs
  - 2.5 whether the MPC and the Treasury were effectively sharing information, whether the MPC appropriately calibrated monetary policy to the fiscal stance, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination
  - 2.6 the MPC's consideration of the interaction of monetary policy with fiscal and macroprudential policy, and the impact on asset and house prices, and
  - 2.7 any other matters necessary to meet the purpose of the review;
- 3 authorise the Minister of Finance, in consultation with the Associate Ministers of Finance, to make changes to the terms of reference, including the scope of the review

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and the deadlines for the draft and final review report, in line with the policy intent of the review as set out in this paper;

- 4 authorise the Minister of Finance, in consultation with the Associate Ministers of Finance, to approve the selection of two monetary policy experts to conduct the review;
- 5 invite the Minister of Finance to report to Cabinet on the findings and recommendations of the review.

Hon Nicola Willis  
**Minister of Finance**

## I N C O N F I D E N C E

**In Confidence**

Office of the Minister of Finance

Cabinet ~~Economic Policy~~Expenditure and Regulatory Review Committee

**Independent review of monetary policy****Proposal**

- 1 This paper seeks agreement to establish an independent review of the monetary policy response to the COVID-19 pandemic. The purpose of the review is to support accountability and public confidence in the operational independence of monetary policy and to inform the ongoing effectiveness of monetary policy.

**Relation to government priorities**

- 2 An independent review of the monetary policy response to the COVID-19 pandemic ~~promotes effective monetary policy in future periods of instability. This~~ supports the Government's priority to create a stable and predictable economic environment ~~and. It~~ builds on actions the Government has already taken to support macroeconomic stability, including passing legislation to return the Reserve Bank to a single focus on price stability, constraining growth in government spending, and reducing costs on business.

**Executive ~~Summary~~summary**

- 3 I propose engaging two monetary policy experts to provide an independent perspective on the Monetary Policy Committee's (MPC) performance during 2020 to 2022 and to make recommendations to improve the monetary policy response to future shocks.
- 34 ~~The COVID-19 pandemic caused MPC to take unprecedented actions in response to significant economic challenges. In response, the Reserve Bank's Monetary Policy Committee (MPC) took unprecedented monetary policy actions including reducing the Official Cash Rate (OCR) to 0.25% and holding it there for 12 months and using Additional Monetary Policy (AMP) tools for the first time. during the COVID-19 pandemic. From early 2021, inflation began to rise sharply and was persistently above the MPC's target until the 2024-September 2024 quarter. Implementing AMP tools had a significant negative financial impact.~~
- 4 ~~I propose engaging two to three monetary policy experts to provide an independent perspective on the MPC's performance during 2020 to 2022 and to provide lessons for future periods of instability. I propose the terms of reference focus on decisions by the MPC, and analysis provided by the Reserve Bank to support those decisions.~~
- 5 ~~I intend expect~~ the review to be ~~thorough but~~ completed ~~promptly~~, by March 2026. ~~This approach provides the new permanent Governor with the findings and recommendations of the review to build from.~~ I will update Cabinet on the findings and recommendations of the review ~~prior to publication~~when available.

## I N C O N F I D E N C E

**Background**

- 6 ~~Over 2020-2022 there were~~ The COVID-19 pandemic caused significant economic challenges ~~caused by over the COVID-19 pandemic. 2020-22 period.~~ In response to these economic challenges, the MPC took unprecedented monetary policy actions, including reducing the ~~Official Cash Rate (OCR)~~ to 0.25%, ~~holding the OCR with specific forward guidance it would remain~~ at ~~0.25% that level~~ for 12 months, and using Additional Monetary Policy (AMP) tools for the first time, ~~including the LSAP programme and the Funding for Lending (FLP) programme.~~
- 7 From early 2021, inflation began to rise ~~sharply in New Zealand~~ and was persistently ~~in excess of above~~ the MPC's inflation target until the ~~2024~~ September ~~2024~~ quarter. Although the rise in inflation partly ~~reflects reflected~~ supply-side factors (disruptions associated with COVID-19 and Russia's invasion of Ukraine), estimates by the Treasury indicate that the rise in inflation can also be attributed to strong aggregate demand. This outcome was observed in most advanced economies and ~~was~~ in part ~~reflective of reflected~~ a deliberate strategy to minimise the likelihood of worst-case scenarios for the economy, given significant uncertainty about the impacts of COVID-19.
- 8 ~~Implementing AMP tools had a significant financial impact. AMP tools led to significant growth in the Bank's balance sheet: from total assets of \$42.3 billion pre-COVID-19 to \$88.9 billion as at 30 June 2023. This~~ The LSAP programme has resulted in significant direct losses (totalling around \$10.46 billion at the end of ~~April~~ June 2025) ~~on the Bank's balance sheet arising from the LSAP programme. These~~ to the Reserve Bank. While these losses have been indemnified by the Crown, ~~the Reserve Bank is included in the consolidated financial statements of Government.~~ There will also have been indirect fiscal impacts (e.g., higher tax revenue) as a result of the MPC providing additional monetary stimulus, which may have offset these costs to some extent.
- 9 In 2022 the Reserve Bank published its own review of the formulation and implementation of monetary policy, which included an assessment of monetary policy performance between 2020 and 2022. While the review was peer reviewed by two independent experts, the review itself was not independent of the Reserve Bank.
- 10 New Zealand's broader response to COVID-19 is being reviewed by the Royal Commission of Inquiry into Lessons Learned from Aotearoa New Zealand's Response to COVID-19 That Should Be Applied in Preparation for a Future Pandemic (the COVID-19 Royal Commission). Decisions taken by the MPC are out of scope of the COVID-19 Royal Commission and instead will be addressed in this review.

**Objective and form of the review**

- 11 ~~I propose that the purpose of the review be to provide an independent perspective on the MPC's performance during 2020 to 2022 and to provide lessons for future periods of instability.~~
- 12 The review of the Reserve Bank The main part of the review will be conducted under section 194 of the Reserve Bank of New Zealand Act 2021 (the Act). Under section 194 of the Act, as Minister of Finance, I may review the operations and performance of the Reserve Bank at any time (the MPC being a committee of the Reserve Bank). ~~A review under~~ Under section 194 ~~requires,~~ the Reserve Bank ~~to~~ must take all reasonable steps to co-operate with the review. ~~I am required to consult the Reserve Bank on the purpose and nature of a section 194 review and to consider the submissions made by the Reserve~~

## I N C O N F I D E N C E

~~Bank. The review will rely on voluntary participation by former cover some matters beyond the operations and performance of the Reserve Bank, for example whether the Treasury was effectively sharing information with the MPC members. It is therefore important to maintain actual, and perceptions of, fairness and impartiality, including through. For these matters the terms of reference, selection of credible reviewers and the Government's public communications review will be non-statutory in nature.~~

12 I have consulted the Reserve Bank on the purpose and nature of the review, and I have considered their submission, as required under section 194.

**Terms of reference**

13 Proposed draft terms of reference for the review are ~~included as Annex 1 of this report attached.~~

14 The terms of reference focus on decisions by the MPC, and analysis provided by the Reserve Bank to support those decisions, during the period 1 January 2020 through 31 December 2022, ~~including and~~ preparations ~~prior to 2020~~ from 1 April 2019 for the event of reaching the effective lower bound on interest rates.

## I N C O N F I D E N C E

~~14.1~~15 The review includes:

~~14.1~~15.1 the information that was provided to the MPC to support their decision-making, including the Reserve Bank's forecasts

~~14.2~~15.2 the MPC's decision-making strategy, processes and treatment of uncertainty, including its processes set out in the MPC Charter

~~14.3~~15.3 the MPC's communications and forward guidance

15.4 the MPC's and the Reserve Bank's choices about the use and design of monetary policy tools, in particular whether the stimulus benefits provided by the LSAP and FLP justified the risks ~~to the public balance sheet and other costs;~~

~~14.4~~ whether the MPC and

~~14.5~~15.5 ~~whether the MPC and~~ the Treasury were effectively sharing information, whether the MPC appropriately calibrated monetary policy to the fiscal stance, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination

~~14.6~~15.6 the MPC's consideration of the interaction of monetary policy with fiscal and macroprudential policy, and the impact on asset and house prices, and

~~14.7~~15.7 any other matters necessary to meet the purpose of the Review~~review~~.

16 Amendments to the terms of reference may be required following consultation with the preferred reviewers. I therefore seek Cabinet's authorisation to make changes to the terms of reference, in consultation with the Associate Ministers of Finance, in line with the policy intent of the review as set out in this paper.

### Selection of reviewers

~~15~~17 I intend to select two ~~to three~~ monetary policy experts to conduct the review. I will seek an internationally regarded monetary policy expert to lead the review. ~~In practice, suitable candidates are likely to be overseas senior central bankers. I also intend to select New Zealand-based monetary policy experts to make up the panel of reviewers. I will confirm the reviewers in consultation with the Associate Ministers of Finance, supported by a New Zealand-based monetary policy expert.~~

18 I will confirm the selection of reviewers in consultation with the Associate Ministers of Finance. The Treasury is currently contacting potential reviewers to gauge their interest and availability.

### Timeline

~~16~~19 I will report to Cabinet on the findings of the review and the Government's response.

~~17~~20 The table below sets out key indicative milestones for the review. These timelines are ambitious but seek to keep the review targeted and support the Reserve Bank to move forward from the COVID-19 period taking account of the review's findings and recommendations.

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21 Amendments to the review timeline may be required following consultation with the preferred reviewers. I therefore seek Cabinet's authorisation to make changes to the timing of the review in consultation with the Associate Ministers of Finance.

Milestone	Timeframe
Substantive review process underway	<del>August</del> <u>From September-</u> December 2025
<del>Draft report</del> <u>Draft report for consultation with the Reserve Bank, the Treasury, the Minister of Finance, and other affected parties (e.g., former MPC members)</u>	December 2025
Report finalised	March 2026

### Cost-of-living ~~Implications~~ implications

1822 ~~The~~ An independent review of the monetary policy response to the COVID-19 pandemic promotes ~~effective monetary policy and~~ low and stable inflation. Macroeconomic stability – the predictability in variables including real output growth, inflation, and the current account deficit – can support resource allocation choices, investment, and economic growth. In turn, this protects New Zealanders' living standards from the negative effects of economic volatility such as periods of high inflation.

### Financial ~~Implications~~ implications

1923 The review will be funded from within baselines, subject to approval ~~to~~ of an expense transfer through the October Baseline Update. The total cost of the review will depend on the outcome of negotiations with the reviewers but could be up to \$500,000 in total. The funding is intended to cover the fees and expenses of the reviewers, any additional external ~~analysis required~~ secretariat services, and independent external legal counsel to support the ~~reviewer~~ reviewers.

2024 ~~The Treasury will provide secretariat services to the review within baselines.~~ Additional ~~Any other additional~~ costs to the Treasury or the Reserve Bank are expected to be managed within ~~its~~ existing funding.

### Legislative ~~Implications~~ implications

2125 There are no direct legislative implications from the establishment of ~~this~~ the review. I will report back to Cabinet on any legislative implications arising from the ~~review~~ review's recommendations.

### Use of external ~~Resources~~ resources

2226 This paper proposes the selection of two ~~to three~~ monetary policy experts to conduct the review. External-to-government reviewers are necessary ~~to~~ for the review to be seen as impartial and objective.

2327 Fees paid to the independent reviewers will be included in reporting on the Treasury's use of contractors and consultants.

## I N C O N F I D E N C E

**Consultation**

2428 I have consulted the Reserve Bank on the purpose and nature of the review and have considered the submission made by the Reserve Bank, in line with section 194 of the Reserve Bank Act. I have adopted the Reserve Bank's suggestion to broaden the review's assessment of the cost and benefits LSAP and FLP programmes. I also acknowledge the Reserve Bank's comment that the objectives of monetary policy would be best addressed as part of the 5-yearly formal review of the monetary policy committee's remit, which is due by mid-2028. I will consider the timing of any monetary policy remit changes at the conclusion of the review.

2529 I do not intend for public consultation to be undertaken as part of ~~review. As the review is relatively technical in nature, I do not expect that public consultation would identify new information not already available from existing public commentary.~~

**Communications**

2630 I intend to announce the review, ~~including once~~ the terms of reference and reviewers ~~when~~ are finalised.

**Proactive ~~Release~~ release**

2731 I intend to release this Cabinet paper in part within 30 business days of decisions being confirmed by Cabinet.

**Recommendations**

The Minister of Finance recommends that the Committee:

- 1 agree to establish an independent review of the monetary policy response to the COVID-19 pandemic, mainly under section 194 of the Reserve Bank of New Zealand Act 2021, to support accountability and public confidence in the operational independence of monetary policy and inform the ongoing effectiveness of monetary policy;
- 2 agree that the terms of reference for the review focus on decisions taken by the ~~Monetary Policy Committee (MPC)~~,<sup>2</sup> and analysis provided by the Reserve Bank to support those decisions, during the period 1 January 2020 through 31 December 2022, ~~including~~ and preparations ~~prior to 2020~~ from 1 April 2019 for the event of reaching the effective lower bound on interest rates, including:
  - 2.1 the information that was provided to the MPC to support their decision-making, including the Reserve Bank's forecasts
  - 2.2 the MPC's decision-making strategy, processes and treatment of uncertainty, including its processes set out in the MPC Charter
  - 2.3 the MPC's communications and forward guidance
  - 2.4 the MPC's and the Reserve Bank's choices about the use and design of monetary policy tools, in particular whether the stimulus benefits provided by the LSAP and FLP justified the risks ~~to the public balance sheet~~ and ~~other~~ costs

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- 2.5 whether the MPC and the Treasury were effectively sharing information, whether the MPC appropriately calibrated monetary policy to the fiscal stance, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination
  - 2.6 the MPC's consideration of the interaction of monetary policy with fiscal and macroprudential policy, and the impact on asset and house prices, and
  - 2.7 any other matters necessary to meet the purpose of the ~~Review~~review;
- 3 authorise the Minister of Finance, in consultation with the Associate Ministers of Finance, to make changes to the terms of reference, including the scope of the review and the ~~deadline~~deadlines for the ~~draft and~~ final review report, in line with the policy intent of the review as set out in this paper;
  - 4 authorise the Minister of Finance, in consultation with the Associate Ministers of Finance, to approve the selection of two ~~to three~~ monetary policy experts to conduct the review;
  - 5 invite the Minister of Finance to report to Cabinet on the findings and recommendations of the review.

Hon Nicola Willis  
**Minister of Finance**

## IN CONFIDENCE



TE TAI ŌHANGA  
THE TREASURY

## Treasury Report: Independent review of monetary policy: Proposed reviewers

<b>Date:</b>	11 September 2025	<b>Report No:</b>	T2025/2389
		<b>File Number:</b>	MC-1-3-2-M128090

### Action sought

	Action sought	Deadline
Hon Nicola Willis <b>Minister of Finance</b>	<p><b>Confirm</b> the selection of Kristin Forbes and Alan Bollard to conduct the independent review of monetary policy.</p> <p><b>Sign</b> and send the attached letters to consult the Associate Ministers of Finance (Hons Seymour, Jones and Bishop) on the selection of reviewers.</p>	16 September 2025

### Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact	
Sam Thornton	Senior Analyst, Macroeconomic and Fiscal Policy	s9(2)(k)	N/A (mob)	✓
Ben Gaukrodger	Manager, Macroeconomic and Fiscal Policy	s9(2)(g)(ii)		

### Minister's Office actions (if required)

**Return** the signed report to Treasury.

**Send** the signed consultation letters to the Associate Ministers of Finance (Hons Seymour, Jones and Bishop).

Note any feedback on the quality of the report

**Enclosure:** Yes (attached)

**IN CONFIDENCE****Treasury Report: Independent review of monetary policy: Proposed reviewers**

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**Purpose of Report**

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1. This report seeks your approval to select two experts to conduct the independent review of monetary policy and to begin consultation with the Associate Ministers of Finance (Hons Seymour, Jones and Bishop).

**Background**

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2. In August 2025, Cabinet agreed to the establishment and terms of reference for an independent review of monetary policy during the COVID-19 period [ECO-25-MIN-0127 refers]. Cabinet authorised you, in consultation with the Associate Ministers of Finance, to approve the selection of two monetary policy experts to conduct the review. The Cabinet paper notes your intention to appoint one international monetary policy expert to lead the review, supported by a New Zealand-based reviewer.

**Procurement process**

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3. The Treasury has run a closed competitive procurement process to select suitable reviewers that represent the highest value for money.
4. You approved a shortlist of suitable candidates in July, based on Treasury advice [T2025/1665 refers]. Since then, we have been engaging with shortlisted candidates to test their interest, availability, and fees.
5. We made four changes to the candidate short-lists in consultation with your office:
  - a We did not progress the candidacy of three short-listed candidates: s9(2)(a) s9(2)(a) and Cameron Bagrie. Further research found limited evidence of recent professional activity by s9(2)(a) meaning they were unlikely to be suitable candidates and seeking expressions of interest risked wasting their time. Regarding Cameron Bagrie, we found he was under consideration for another role related to the Reserve Bank, which would make him ineligible for this role, and we did not want to frustrate that process.
  - b We added s9(2)(a) and s9(2)(b)(ii) to the short-list and progressed his candidacy. This action was taken after one of the two originally short-listed New Zealand-based candidates (John Whitehead) declined interest early in the process. s9(2)(a) and s9(2)(b)(ii) was added to increase the chance that at least two potential New Zealand-based candidates could be considered to ensure value for money.
6. We have received proposals from:
  - a International reviewer candidates: s9(2)(a) and s9(2)(b)(ii) , and Kristin Forbes.
  - b New Zealand-based candidates: Alan Bollard, and s9(2)(a) and s9(2)(b)(ii) .
7. The other short-listed candidates declined interest citing lack of availability (Carloyn Wilkins, Renee Fry-McKibbin, Andrew Haldane, John Whitehead).

**IN CONFIDENCE**

8. The selection of credible and expert reviewers is critical to achieving the purposes of the review. A panel of three senior Treasury managers evaluated the candidates. The evaluation was based on the candidates' monetary policy expertise, impartiality and objectivity, and ability to deliver. The evaluation also considered whether the candidates' proposals met the purpose and objectives of the review, and any conflicts of interest and security protocols.

### Recommended reviewers

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#### **International reviewer – Kristin Forbes**

9. We recommend the selection of Kristin Forbes as the international reviewer. Ms Forbes is a professor of global economics and management at the Massachusetts Institute of Technology and was an external member of the Bank of England's Monetary Policy Committee from 2014-2017. Ms Forbes has an extensive and relevant academic background in monetary policy issues, including the publication of numerous papers on monetary policy and the response to the COVID-19. This means she is well-placed to review the monetary policy response to COVID-19 in New Zealand.
10. Ms Forbes publications have included recommendations to improve the future monetary policy response to shocks, including improvements to inflation forecasting, the treatment of supply shocks, analysis of the impact of fiscal policy, and symmetry in central bank responses to high and low inflation.
11. In early 2025, Ms Forbes assessed the Bank of Canada's own review of alternative monetary policy tools deployed during the COVID-19 period which made a range of recommendations for improvements including to forecasting, communications and exit strategies for unconventional policy tools.

#### **New Zealand-based reviewer – Alan Bollard**

12. We recommend the selection of Alan Bollard as the New Zealand-based reviewer. Mr Bollard is a strong and credible candidate with a significant breadth of experience, including his roles leading the Treasury (1997-2002), and leading the Reserve Bank (2002-2012) during the Global Financial Crisis. Mr Bollard is currently chair of the Tertiary Education Commission, among other directorships.
13. Mr Bollard commented on the COVID-19 fiscal and monetary response during a 2024 Treasury guest lecture. He acknowledged uncertainty during the early pandemic period, and said the Reserve Bank's response to emerging inflation pressures was late, but the Reserve Bank's approach seemed reasonable at the time. It would be uncommon for any expert on macroeconomic matters to not have an initial point of view regarding the Reserve Bank's response during the COVID-era. The point of the review is for an expert with reputational standing to come to an independent assessment based on more detailed information, including the information the MPC had at the relevant time. However, as part of managing any perceived risk to the integrity of the process, we expect the reviewers to approach the review with an open mind based on the information learnt as part of the review process.
14. Mr Bollard is also a director of China Construction Bank New Zealand (CCB) which raises two potential conflicts of interest:
- a Mr Bollard may be perceived to have some "leverage" over the Reserve Bank and that the CCB could receive more favourable treatment from the Reserve Bank as regulator.

**IN CONFIDENCE**

- b Mr Bollard may be perceived to assess the Funding for Lending Programme more favourably if it provided benefits to participant banks. Mr Bollard has been a director of the CCB since July 2021, while CCB was a participant in the Funding for Lending Programme.
15. The Treasury and the Reserve Bank consider that the potential conflicts of interest arising from Mr Bollard's role on the board of CCB be appropriately managed. We propose:
- a Openly acknowledging Mr Bollard's CCB Board role throughout his appointment process and in the review report.
  - b Mr Bollard does not undertake the part of the independent review relating to the Funding for Lending Programme (this part will be carved out for the responsibility of the other reviewer) and ensuring transparency around this delineation of responsibility as part of the review.

### Next steps and contingency if Ms Forbes' candidacy falls through

16. Cabinet authorised you, in consultation with the Associate Ministers of Finance, to approve the selection of two monetary policy experts to conduct the review.
17. We seek your confirmation of the reviewers relatively quickly so they can begin work on the review as soon as possible. Ms Forbes intends to undertake most of the work on the review over October and November, with a draft completed by mid-December 2025. She has significantly less availability in early 2026 due to teaching commitments. Ms Forbes is available for a short two-day visit to New Zealand for interviews this year, and potentially a second visit in March 2026 to present the final report. We are testing whether Ms Forbes could extend her time in New Zealand for interviews.
18. If the review cannot commence by the end of September Ms Forbes may withdraw her interest. Accordingly, we request that you sign and send the consultation letters to the Associate Ministers of Finance by 16 September 2025 and seek feedback from the Associate Ministers of Finance by 22 September 2025 (five working days).
19. If you wish, we can facilitate a meeting between you, Ms Forbes and Mr Bollard prior to confirming their selection. However, this will need to occur soon if the reviewers are to be confirmed promptly.
20. While we await your approval, we will facilitate a meeting between the recommended international and New Zealand-based candidates and will work to negotiate near-final contracts with the recommended reviewers. We will not finalise the contracts until we have received your approval and completed consultation with the Associate Ministers of Finance.

#### **s9(2)(a) and s9(2)(b)(ii) – Alternative international reviewer**

21. As a contingency in case Ms Forbes is unable to complete the review due to timing constraints, we seek your approval now for s9(2)(a) and s9(2)(b)(ii) as the alternative lead reviewer.
22. The Treasury considers s9(2)(a) and s9(2)(b)(ii) is a strong and credible candidate. s9(2)(a) and s9(2)(b)(ii)

**IN CONFIDENCE**

23. If Ms Forbes' candidacy falls through, we will provide you with new letters to consult the Associate Ministers of Finance on the selection of s9(2)(a) and s9(2)(b)(ii)

**Communications and risks**

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24. You may wish to consider coordinating the announcement of the review with the announcement of the new Reserve Bank Governor.
25. Recent media and public commentary on several matters relating to the Reserve Bank has elevated risks to public perceptions of trust and confidence in the Reserve Bank and monetary policy independence. Initiating a review of the performance of monetary policy risks weakening perceptions of the Reserve Bank's operational independence in formulating and implementing monetary policy. These risks can be mitigated through careful communications that emphasise:
- a the purpose of the review is to support effective monetary policy responses to future shocks,
  - b the review is provided for in New Zealand's legislative monetary frameworks (section 194 of the Reserve Bank Act), and
  - c the review is being undertaken free from bias by impartial and objective monetary policy experts.
26. We will work with your office to coordinate the announcement of the review. We will shortly seek your agreement to proactively release the Cabinet paper and key advice alongside the announcement.
27. We can also provide you with letters to send to former members of the Monetary Policy Committee and former Treasury Observers, in advance of the announcement, to inform them about the review. We think letters from you would support their voluntary participation and engagement with the review and its intended outcomes.

**Resourcing**

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28. Funding for the review is available via an expense transfer of \$0.500 million into 2025/26.
29. We expect most of the available funding will be used, covering:
- a fees of the two reviewers (totalling approximately \$300,000),
  - b additional external analysis (estimated at up to \$100,000),
  - c independent external legal counsel to support the reviewers (estimated at up to approximately \$50,000), and
  - d travel and other expenses of the reviewers (estimated at up to \$30,000).

**IN CONFIDENCE****Recommended actions**

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We recommend that you:

- a **confirm** the Treasury's selection of Kristin Forbes as lead reviewer for the independent review of monetary policy.

*Agree/disagree.*

- b **confirm** the Treasury's selection of s9(2)(a) and s9(2)(b)(ii) as lead reviewer for the independent review of monetary policy if Ms Forbes candidacy falls through.

*Agree/disagree.*

- c **confirm** the Treasury's selection of Alan Bollard as the other reviewer for the independent review of monetary policy.

*Agree/disagree.*

- d **indicate** if you would like to meet with one, or both, of the proposed reviewers before confirming their selection.

*Yes/no – meet with Kristin Forbes before confirming selection*

*Yes/no – meet with Alan Bollard before confirming selection*

- e **sign** the attached letters to the Associate Ministers of Finance (Hons Seymour, Jones and Bishop) to consult them on the selection of Kristin Forbes and Alan Bollard to conduct the review of monetary policy.

*Agree/disagree*

- f **indicate** if you would like to send letters to former MPC members and Treasury Observers in advance of public announcements to inform them about the review.

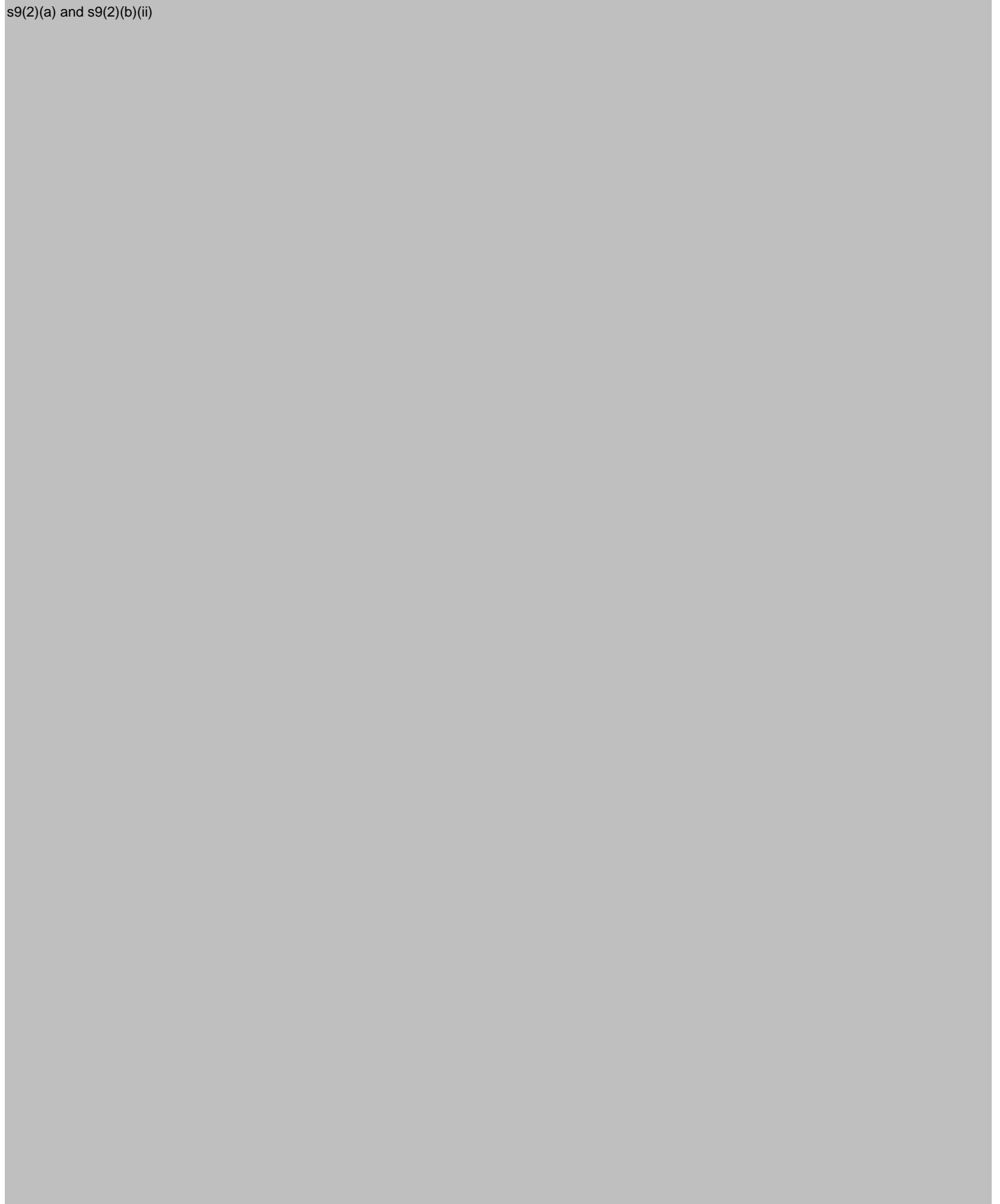
*Yes/no*

Ben Gaukrodger  
**Manager, Macroeconomic and Fiscal Policy**

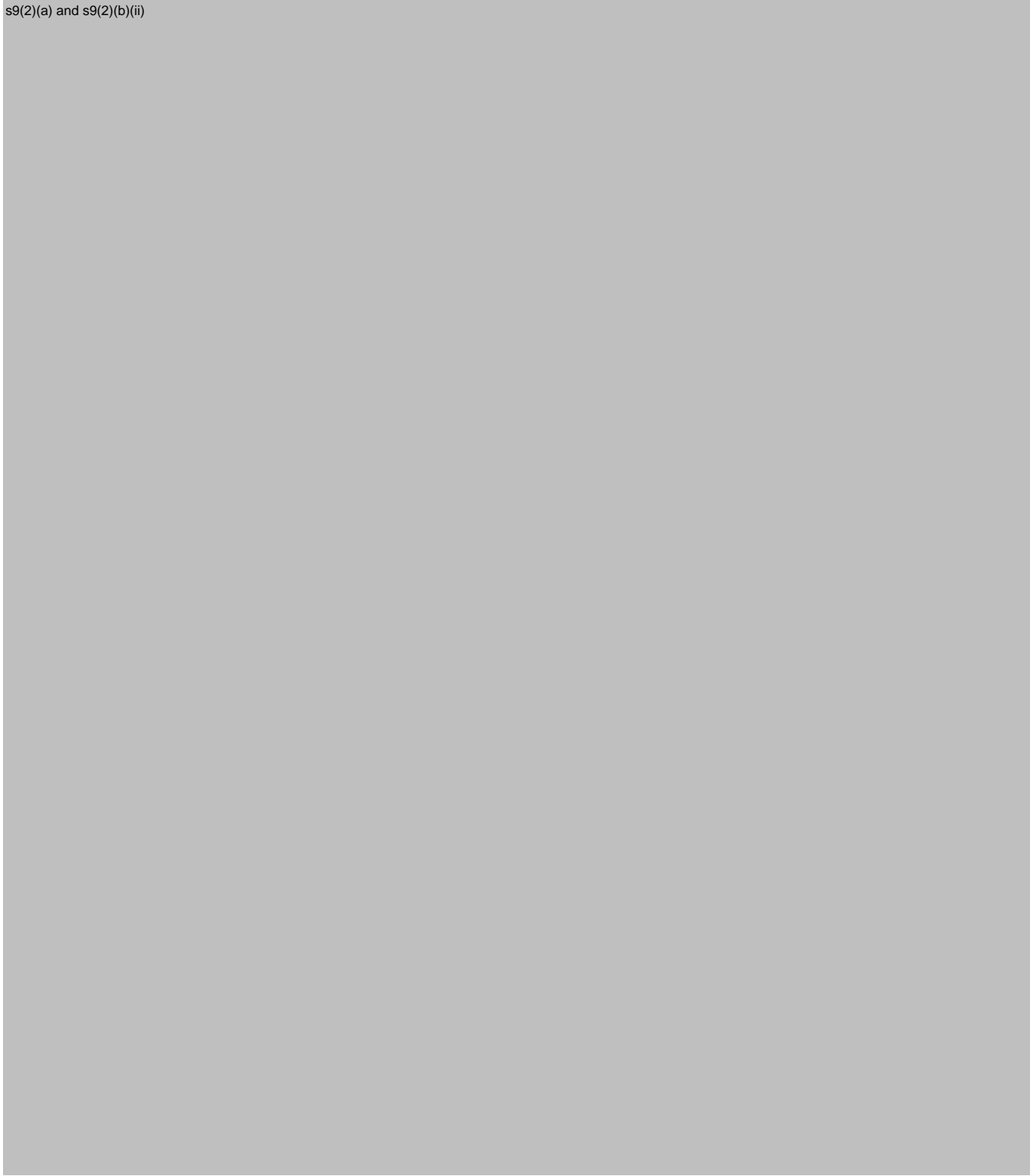
Hon Nicola Willis  
**Minister of Finance**

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s9(2)(a) and s9(2)(b)(ii)



s9(2)(a) and s9(2)(b)(ii)



s9(2)(a)

## Kristin J. Forbes

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### Work Experience

**MIT-Sloan School of Management: Cambridge, MA. 1998-present.**  
 Jerome and Dorothy Lemelson Professor of Management and Global Economics. 2009-present.  
 Area head for Behavioral and Policy Sciences, 2021-2024.  
 Associate Professor of Economics with tenure. 2004-2009.  
 Associate Professor of Economics. 2002-2004.  
 Mitsubishi Career Development Chair of International Management. 2001-2004.  
 Assistant Professor of Economics. 1998-2002.

**Bank of England: London, United Kingdom. 2014-2017.**  
 External Member of Monetary Policy Committee.

**Council of Economic Advisers: Washington, DC. 2003-2005.**  
 Member of the White House's Council of Economic Advisers (CEA).

**U.S. Treasury Department, International Affairs: Washington, DC. 2001-2002.**  
 Deputy Assistant Secretary of Quantitative Policy Analysis, Latin American and Caribbean Nations. 2002.  
 Deputy Assistant Secretary of Quantitative Policy Analysis (QPA). 2001-2002.

**World Bank, Policy Research Department: Washington, DC. 1993-94.**  
 Project Assistant in the Department of the Director.

**Morgan Stanley, Mergers and Acquisitions: New York, NY. 1992-93.**  
 Financial Analyst in Investment Banking Division, Financial Institutions Group.

### Education

**Massachusetts Institute of Technology: Cambridge, MA, 1998.**  
 Ph.D. in Economics. Majors: international and development economics. Minors: macroeconomics and econometrics. Thesis committee: Rudi Dornbusch, Paul Krugman and Jaime Ventura. Awarded Solow Prize for excellence in teaching and research.

**Williams College: Williamstown, MA, 1992.**  
 B.A., *summa cum laude*, with Highest Honors, in Economics. *Phi Beta Kappa*.

### Current Academic Advisory Roles & Affiliations

**Bank for International Settlements: Advisory Panel, 2021-**  
**Bellagio Group: Convener, 2020-. Member, 2010-**  
**Centre for Economic Policy Research: Research Fellow, 2016-**  
**Council on Foreign Relations: Term Member, 2004-2009. Member, 2009-**  
**International Center for Monetary and Banking Studies: Scientific Committee, 2017-**  
**International Monetary Fund: Managing Director External Advisory Group, 2020-**  
**International Seminar on Macroeconomics: co-organizer, 2017-**  
**National Bureau of Economic Research: Research Associate, 2005-, Faculty Research Fellow, 2000-2005.**  
**NBER Business Cycle Dating Committee: member, 2025-**  
**Next Bretton Woods Group, organized by the PIIE: Advisory Committee, 2021-**  
**U.S. Monetary Policy Forum: Panelist, 2019-**

**Selected  
Past  
Professional  
Activities**

*American Economic Association*: Program committee & nominating committee, 2019-20.  
*American Economic Journal: Economic Policy*: Editorial Board, 2007-10.  
*Aspen Economic Strategy Group*: Member, 2017-2024.  
*Bank of Canada: External Review of Assessment of the Pandemic Response*, 2024.  
*Brookings Panel on Economic Activity*: Advisory Panel, 2013-16.  
*Center for Global Development*: Academic Advisory Board, 2005-14.  
*Central Bank Research Association (CEBRA)*: Advisory Committee, 2018-2023.  
*Congressional Budget Office*: Panel of Economic Advisers, 2009-11, 2013-14.  
*DeWorm the World*: Board Member, 2007-2013. Executive Committee, 2007-11.  
*Federal Reserve Bank of New York*: Member of Economic Advisory Panel, 2018-24.  
*Governor's Council of Economic Advisers (for Massachusetts)*: 2009-14.  
*Iceland Task Force to Review Monetary and Macroprudential Policy*: 2017-18.  
*Peterson Institute for International Economics*: Academic Advisory Board, 2005-14.  
*Trilateral Commission*: Member, 2007-14, Executive committee, 2013-14.

**Honors,  
Awards,  
Fellowships,  
and Grants**

*Teaching with Digital Technology Award* from MIT, 2021.  
*Honorary Commander of the Most Excellent Order of the British Empire (CBE)*: from Her Majesty Queen Elizabeth II for services to British economic policy, 2019.  
*Bicentennial Medal*, from Williams College to members of the community for "outstanding achievement in any field of endeavor," 2015.  
*Generation Next*, named as one of the 25 leading economists under 45 who are "shaping how we think about the global economy," in *Finance & Development*, 2014.  
"1000 Most Influential Londoners", in the *Evening Standard*, 2014.  
*Sloan Foundation Grant for NBER project on Global Financial Crisis*: 2009-2012.  
*Excellence in Teaching Award*: Sloan School of Management at MIT, 2009-10.  
*Teacher of the Year Award*: Sloan School of Management at MIT, 2008-2009.  
*Michael Brennan Award*: Runner up for best paper published in the *Review of Financial Studies* (joint with Mihir Desai and C. Fritz Foley), 2009.  
*Jamieson Prize for History of Excellence in Teaching at MIT*: awarded in 2008.  
*Excellence in Teaching Award*: Sloan School of Management at MIT, 2006-07.  
Named a "Young Global Leader" at World Economic Forum at Davos, 2005-present.  
*Excellence in Teaching Award*: Sloan School of Management at MIT, 2005-06.  
Named 1 of 100 "Global Leaders for Tomorrow" at World Economic Forum at Davos, 2003-4.  
*Teacher of the Year Award*: Sloan School of Management at MIT, 2000-2001.  
*Ford Foundation Fellowship*: Research on India, 2000-01.  
*Milken Prize*: Distinguished economic research, 2000.  
*Solow Prize*: Excellence in research and teaching at MIT, 1998.  
*National Science Foundation*: Fellowship in economics, 1994-97.  
*World Economy Laboratory*: Grant for applied research in India, 1996, 2001.  
*David Wells Prize in Economics*: Best economics thesis at Williams College, 1992.  
*Captain of New England Championship Tennis Team*: Williams College, 1992.  
*Most Valuable Player* of nationally-ranked (top-ten) Squash Team: Williams College, 1992.  
*Phi Beta Kappa*: First election at Williams College, 1991.  
*Volvo-Academic All-American*: In tennis, 1991 and 1992.  
*Presidential Scholar*: 1988. *National Merit Scholar*: 1988.

## Published Papers

**Rate Cycles** (2025) with Jongrim Ha and M. Ayhan Kose. Proceedings from the ECB Forum on Central Banking on “Monetary Policy in an Era of Transformation” in Sintra, Portugal on July 1-3, 2024.

**Monetary Policy Responses to the Post-Pandemic Inflation** (2024) with Bill English and Ángel Ubide. In *Monetary Policy Responses to the Great Inflation*, e-book published by Centre for Economic Policy Research (Feb).

**Replacing the Golden Anchor for Price Stability** (2024). In Doug Irwin, Maury Obstfeld and Adam Posen, eds. *Floating Exchange Rates at Fifty*. Peterson Institute of International Economics, chapter 16.

**Policy Packages and Policy Space: Lessons from Covid-19** (2023) with Katharina Bergant. *European Economic Review*, 158(Sept).

**Stress Relief?: Funding Structures and Resilience to the Covid Shock** (2023) with Christian Friedrich and Dennis Reinhardt. *Journal of Monetary Economics* 137(July): 47-81.

**Macroprudential Policy during COVID: The Role of Policy Space** (2023) with Katharina Bergant. In Claudio Borio, Edward Robinson, and Hyun Song Shin, eds. *Macro-Financial Stability Policy in a Globalised World: Lessons from International Experience*, chapter 4.

**Spillovers at the Extremes: The Macroprudential Stance and Vulnerability to the Global Financial Cycle** (2022) with Anusha Chari and Karlye Dilts-Stedman. *Journal of International Economics* 136(May).

**Unwinding Monetary Stimulus in an Uneven Economy: Time for a New Playbook?** (2022). In *Macroeconomic Policy in an Uneven Recovery*. 2021 Jackson Hole Symposium organized by the Federal Reserve Bank of Kansas City. August.

**Low Inflation Bends the Phillips Curve Around the World** (2022) with Christopher Collins and Joseph Gagnon. *Economia* 45(89): 52-72.

**Monetary Policy and Central Banking in the Covid Era: Key Insights and Challenges for the Future** (2021) with Bill English and Ángel Ubide. In *Monetary Policy and Central Banking in the Covid Era*, e-book published by Centre for Economic Policy Research (June).

**Macroprudential FX Regulations: Shifting the Snowbanks of FX Vulnerability** (2021) with Toni Ahnert, Christian Friedrich, and Dennis Reinhardt. *Journal of Financial Economics* 140(1): 145-174.

**The International Aspects of Macroprudential Policy** (2021). *Annual Review of Economics* 13(1): 203-228.

**Capital Flow Waves—or Ripples? Extreme Capital Flow Movements Since the Crisis** (2021) with Frank Warnock. *Journal of International Money and Finance* 116(Sept): 102394.

**International Evidence on Shock-Dependent Exchange Rate Pass-Through** (2020) with Ida Hjortsoe and Tsvetelina Nenova. *IMF Economic Review* 68: 721-763.

**Published  
Papers  
(cont.)**

**Do Sounder Banks make Calmer Waters? The Link Between Bank Regulations and Capital Flow Waves** (2020). *American Economic Review, Papers and Proceedings* 110(May): 516-522.

**Inflation Dynamics: Dead, Dormant, Or Determined Abroad?** (2020). *Brookings Papers on Economic Activity, Fall 2019 Meetings*, pgs. 257-319.

**Macroprudential Policy: What We Know, Don't Know, and Need to Do** (2019). *American Economic Review, Papers and Proceedings*, 109(April): 470-475.

**A Trendy Approach to UK Inflation Dynamics** (2019) with Lewis Kirkham and Konstantinos Theodoridis. *The Manchester School* July: 1-53.

**Monetary Policy at the Effective Lower Bound: Less Potent? More International? More Sticky?** (2019). *Brookings Papers on Economic Activity, Fall 2018*, pgs. 521-41.

**How Have Shanghai, Saudi Arabia, and Supply Chains Affected U.S. Inflation Dynamics?"** (2019). *Federal Reserve Bank of St. Louis Review* 101(1): pgs. 1-17.

**The Shocks Matter: Improving Our Estimates of Exchange Rate Pass-Through** (2018) with Ida Hjortsoe and Tsvetelina Nenova. *Journal of International Economics* 114(Sept): 255-75.

**Fixing the Astrolabe: Global Factors and Inflation Models** (2018). *ECB Forum on Central Banking, Price and Wage-setting in Advanced Economies*. Proceedings from Annual Forum in Sintra, Portugal, pgs. 170-186.

**Current Account Deficits During Heightened Risk: Menacing or Mitigating?** (2017) with Ida Hjortsoe and Tsvetelina Nenova. *Economic Journal* 127(May), pgs.571-623.

**The Spillovers, Interactions, and (Un)intended Consequences of Monetary and Regulatory Policies** (2017) with Dennis Reinhardt and Tomasz Wieladek. *Journal of Monetary Economics* 85(Jan): 1-22.

**Financial Deglobalization: Capital Flows, Banks and the Beatles.** (2017). *Chinese Edition of International Social Science Journal*, Vol. 34 (1, March): 57-81.

**Much Ado about Something Important: How do Exchange Rate Movements Effect Inflation?** (2016) *The Manchester School* 84 (S1, September), pgs. 15-41.

**Banking Deglobalisation: A Consequence of Monetary and Regulatory Policies?** (2016) with Dennis Reinhardt and Tomasz Wieladek. *Macroprudential Policy, CBRT/BIS/IMF Conference Proceedings (Sept)*, pgs. 49-56.

**Bubble Thy Neighbor: Portfolio Effects and Externalities of Capital Controls** (2016) with Marcel Fratzscher, Thomas Kostka and Roland Straub. *Journal of International Economics* 99 (March), pgs. 85-104.

**Capital Flow Management Measures: What are They Good For?** (2015) with Marcel Fratzscher, Thomas Kostka, and Roland Straub. *Journal of International Economics* 96 (1, July), pgs. S76-S97.

**Pick Your Poison: The Choices and Consequences of Policy Responses to Crises** (2015) with Michael Klein. *IMF Economic Review* 63(April), pgs.197-237.

**Published  
Papers  
(cont.)**

**Capital Flow Volatility and Contagion: A Focus on Asia** (2014), in Bruno Carrasco, Subir Gokarn, and Hiranya Mukhopadhyay, eds., *Managing Capital Flows: Issues in Selected Emerging Market Economics*, Oxford University Press: New Delhi, pgs.3-31.

**Debt- and Equity-Led Capital Flow Episodes** (2014) with Francis Warnock. In Miguel Fuentes and Carmen M. Reinhart, eds. *Capital Mobility and Monetary Policy*. Santiago: Central Bank of Chile.

**The “Big C”: Identifying and Mitigating Contagion** (2013). *The Changing Policy Landscape*. 2012 Jackson Hole Symposium hosted by the Federal Reserve Bank of Kansas City, pgs 23-87.

**Capital Flow Waves: Surges, Stops, Flight and Retrenchment** (2012) with Francis Warnock. *Journal of International Economics* 88(2, Nov): 235-251.

**Watch What I Do, Not What I Say: The Unintended Consequences of the Homeland Investment Act** (2011). Joint with Dhammika Dharmapala and C. Fritz Foley. *Journal of Finance* 66(3): 753-787.

**Why do Foreigners Invest in the United States?** (2010). *Journal of International Economics* 80(1): 3-21. Lead article.

**Financial Constraints and Growth: Multinational and Local Firm Responses to Currency Crises** (2008). Joint with Mihir Desai and Fritz Foley. *Review of Financial Studies* 21(6): 2857-2888. Runner-up for Michael Brennan Award.

**One Cost of the Chilean Capital Controls: Increased Financial Constraints for Smaller Traded Firms** (2007). *Journal of International Economics* 71(2), pgs. 294-323.

**The Microeconomic Evidence on Capital Controls: No Free Lunch** (2007). In Sebastian Edwards, ed. *Capital Controls and Capital Flows in Emerging Economics: Policies, Practices, and Consequences*. Chicago: University of Chicago Press, pgs. 171-199.

**Trade Linkages and Output-Multiplier Effects: A Structural VAR Approach with a Focus on Asia** (2005) with Tilak Abeysinghe. *Review of International Economics* 13(2), pgs. 356-375.

**A Decomposition of Global Linkages in Financial Markets Over Time** (2004) with Menzie Chinn. *Review of Economics and Statistics* 86(3, August), pgs. 705-722.

**Capital Controls: Mud in the Wheels of Market Discipline** (2004). In William Hunter, George Kaufman, Claudio Borio, and Kostas Tsatsaronis, eds. *Market Discipline Across Countries and Industries*. Cambridge, MA: MIT Press, pgs. 197-210.

**The Asian Flu and Russian Virus: The International Transmission of Crises in Firm-Level Data** (2004). *Journal of International Economics* 63(1, May), pgs. 59-92.

**Cheap Labor Meets Costly Capital: The Impact of Devaluations on Commodity Firms** (2002). *Journal of Development Economics* 69 (2, December), pgs. 335-365.

**No Contagion, Only Interdependence: Measuring Stock Market Co-Movements** (2002) with Roberto Rigobon. *The Journal of Finance* LVII (5, October), pgs. 2223-2261.

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**How Do Large Depreciations Affect Firm Performance?** (2002). *IMF Staff Papers* 49, pgs. 214-238.

**Are Trade Linkages Important Determinants of Country Vulnerability to Crises?** (2002). In Sebastian Edwards and Jeffrey Frankel, eds. *Preventing Currency Crises in Emerging Markets*. University of Chicago Press.

**Skill Classification Does Matter: Estimating the Relationship Between Trade Flows and Wage Inequality** (2001). *Journal of International Trade and Economic Development* 10(2, June), pgs. 175-209.

**Contagion in Latin America: Definitions, Measurement, and Policy Implications** (2001) with Roberto Rigobon. *Economia* 1(2, Spring), pgs. 1-46. Lead article.

**How are Shocks Propagated Internationally? Firm-Level Evidence from the Asian and Russian Crises** (2001). In Reuven Glick, Ramon Moreno, and Mark M. Spiegel, eds. *Financial Crises in Emerging Markets*. Cambridge University Press, pgs. 106-159.

**Measuring Contagion: Conceptual and Empirical Issues** (2001) with Roberto Rigobon. In Stijn Claessens and Kristin Forbes, eds. *International Financial Contagion*. Kluwer Academic Publishers, pgs. 43-66.

**International Financial Contagion: An Overview** (2001) with Stijn Claessens. In Stijn Claessens and Kristin Forbes, eds. *International Financial Contagion*. Kluwer Academic Publishers, pgs. 3-17.

**A Reassessment of the Relationship Between Inequality and Growth** (2000). *American Economic Review* 90 (4, September), pgs. 869-887.

**Published  
Shorter  
Items**

For an updated list of published speeches, discussions, book reviews, testimony, op-eds, and other shorter articles and comments, see:

<https://mitmgmtfaculty.mit.edu/kjforbes/shorter-articles/>

**Published  
Books and  
Organized  
Conference  
Symposia**

[Monetary Policy Responses to the Post-Pandemic Inflation](#) (2024). Overview and volume edited with Bill English and Ángel Ubide. E-book published by the Centre for Economic Policy Research (February).

[Monetary Policy and Central Banking in the Covid Era](#) (2021). Overview and volume edited with Bill English and Ángel Ubide. E-book published by the Centre for Economic Policy Research (June).

**The Global Financial Crisis** (2012) with Charles Engel and Jeffrey Frankel. An NBER research conference and two policy symposia on the Global Financial Crisis and Euro Crisis. Published in the *Journal of International Economics* 88(2, Nov), pgs. 215-436.

**Symposium on Global Linkages** (2004). Series of papers from a conference organized by Robin Brooks, Ashoka Mody and Kristin Forbes. Published in the *Review of Economics and Statistics* 86 (3, August), pgs. 641-734.

**International Financial Contagion** (2001). Volume edited by Stijn Claessens and Kristin Forbes. Kluwer Academic Publishers.

**Recent Working Papers and Articles**

**Tradeoffs over Rate Cycles: Activity, Inflation and the Price Level** (2025) with Jongrim Ha and Ayhan Kose. Paper prepared for *NBER Macroeconomics Annual*, April.

**The Art of Monetary Policy** (2025). Eighth Karl Brunner Distinguished Lecture, Swiss National Bank. (October 3, 2024). *CEPR Discussion Paper 19905*.

**Heaven or Earth? The Evolving Role of Global Shocks for Domestic Monetary Policy** (2025) with Jongrim Ha and Ayhan Kose. Working paper.

**Quantitative Tightening around the Globe: What Have We Learned?** (2024) with Wenxin Du and Matthew Luzzetti. *NBER Working Paper 32321* (April).

**Has Globalization Changed the Inflation Process?** (2019). *BIS Working Papers No 297*. Paper prepared for 17<sup>th</sup> BIS Annual Research Conference in Zurich, June 22, 2018.

**Macroprudential Policy After the Crisis: Forging a Thor's Hammer for Financial Stability in Iceland** (2018). Report prepared for Task Force dedicated to reviewing monetary and currency policies for Iceland.

**Recent Courses Taught**

15.218: Global Economic Challenges and Opportunities (MBA)  
SIP: Monetary Policy, Currency Wars, and the Repercussions for Emerging Markets  
15.S03: The Transformation and Globalization of Monetary Policy (Executive MBA)  
Various modules in executive education

*Updated: April 2025*

## Hon Nicola Willis

Minister of Finance  
Minister for Economic Growth  
Minister for Social Investment



Hon David Seymour  
Associate Minister of Finance  
[David.Seymour@parliament.govt.nz](mailto:David.Seymour@parliament.govt.nz)

Hon Shane Jones  
Associate Minister of Finance  
[Shane.Jones@parliament.govt.nz](mailto:Shane.Jones@parliament.govt.nz)

Hon Chris Bishop  
Associate Minister of Finance  
[Chris.Bishop@parliament.govt.nz](mailto:Chris.Bishop@parliament.govt.nz)

Dear Ministers

### **Re: Consultation on reviewers to conduct an independent review of monetary policy**

I am writing to consult you on my intention to confirm Kristin Forbes and Alan Bollard to run an independent review of monetary policy during the COVID-19 period.

In August, Cabinet agreed to establish an independent review of monetary policy to support accountability and public confidence in the operational independence of monetary policy, and to inform the ongoing effectiveness of monetary policy [ECO-25-MIN-0127 refers]. Cabinet authorised me, in consultation with the Associate Ministers of Finance, to approve the selection of two monetary policy experts to conduct the review, following the conclusion of a Treasury-run procurement process. The selection of credible and expert reviewers is critical to achieving the purposes of the review.

I propose to select Kristin Forbes to lead the review. Ms Forbes is a professor of global economics and management at the Massachusetts Institute of Technology and was an external member of the Bank of England's Monetary Policy Committee from 2014 to 2017. Ms Forbes' extensive and relevant academic background in monetary policy, which includes the publication of numerous papers on monetary policy and the response to COVID-19, means she is well-placed to review New Zealand's monetary policy response to COVID-19.

I also propose to confirm Alan Bollard as the New Zealand-based reviewer. Mr Bollard is a strong and credible candidate with a significant breadth of experience, including roles as Secretary to the Treasury (1997-2002) and Reserve Bank Governor (2002-2012), which included the response to the Global Financial Crisis. Mr Bollard is currently an independent director on the China Construction Bank (NZ). This potential conflict of interest will be managed through clear acknowledgement and by having Mr Bollard recuse himself from specific aspects of the review (e.g. the assessment of the Funding for Lending Programme).

I request your feedback on Ms Forbes and Mr Bollard by 22 September 2025 to enable the review to begin promptly. The reviewers are due to provide a draft report in December 2025 and a final report in March 2026.

Yours sincerely

Hon Nicola Willis  
**Minister of Finance**

## IN-CONFIDENCE



Reference: T2025/2477 MC-1-3-2-M128336

Date: 22 September 2025

To: Minister of Finance  
Hon Nicola Willis

Deadline: 24 September 2025  
(if any)

## Independent review of monetary policy – update on reviewer appointments

There is a need to revisit the appointment of the reviewers to the independent review of monetary policy. Constraints on Professor Forbes' availability will make pairing her with a New Zealand-based reviewer challenging. This briefing provides information and options to inform a discussion with you on next steps at the Banking Matters meeting at 2pm, 24 September.

### Background

In August 2025 Cabinet agreed to the terms of reference for the review and authorised you, in consultation with the Associate Ministers of Finance, to approve the selection of two monetary policy experts to conduct the review [ECO-25-MIN-0127 refers]. The Cabinet paper noted your intention to appoint an international monetary policy expert to lead the review, with support from a New Zealand-based reviewer.

You recently approved the selection of Professor Kristin Forbes and Dr Alan Bollard to jointly conduct the independent review of monetary policy [2025/2389]. You also wrote to the Associate Ministers of Finance (Hon Seymour, Jones, and Bishop) to consult them on the selection of Professor Forbes and Dr Bollard.

### Timing constraints on Professor Forbes

In working through the detailed timeline and approach to the review with Professor Forbes and Dr Bollard, we identified the risk that the two reviewers may be unable to agree on a draft report by mid-December. More critically, due to timetable constraints for both reviewers there are no viable contingencies if that risk materialises.

Dr Bollard has raised concerns that he will not be able to confidently agree to the findings of a draft report by mid-December. These concerns stem from the volume of material to digest, the significance and complexity of the issues, and his desire to draw on the views of a broad range of commentators. Professor Forbes has other commitments in early 2026, meaning she must complete the draft report by mid-December.

We have explored alternative approaches with Professor Forbes and Dr Bollard to manage this risk and create contingency plans, but none appear viable. We considered:

**IN-CONFIDENCE**

- Pairing Professor Forbes with an alternative New Zealand-based reviewer. However, Professor Forbes has raised concerns that delays starting the review to select an alternative New Zealand-based reviewer will delay the review. We previously advised that Professor Forbes may withdraw her interest if the review cannot commence by the end of September.
- Appointing Professor Forbes as the sole reviewer. However, Professor Forbes does not think she could complete the draft report by mid-December without support from a New Zealand-based reviewer to manage domestic interests and input.

**Options and next steps**

We see three main options:

- **Option 1 – s9(2)(a) and s9(2)(b)(ii) leads the review.** You previously approved s9(2)(a) and s9(2)(b)(ii) as a suitable alternate lead reviewer [T2025/2389]. s9(2)(a) and s9(2)(b)(ii) proposed longer timeframe for the review is more likely to be compatible with a New Zealand reviewer. If you are supportive of this option, we will work with s9(2)(a) and s9(2)(b)(ii) and Dr Bollard on the detailed timing and approach to the review. The main downside of Professor Forbes not leading the review is that s9(2)(a) and s9(2)(b)(ii) and Dr Bollard are not actively involved in developing or applying the latest research on monetary policy and macroeconomics. s9(2)(a) and s9(2)(b)(ii), and Dr Bollard was Governor of the Reserve Bank of New Zealand until 2012, including the response to the Global Financial Crisis.
- **Option 2 – Reconsider approach to the review.** If you wish to consider a broader range of options for reviewers, we could provide you with further options. We expect this would push out the timing of the review, potentially to mid-2026 for completion. We note the only other candidate who has expressed interest in the review is s9(2)(a) and s9(2)(b)(ii).  
s9(2)(a) and s9(2)(b)(ii)  
Alternatively, you could reconsider whether you wish to proceed with the independent review. You could explore other options to learn lessons from the monetary policy response to COVID-19, including seeking the views of the incoming Governor.

**Next steps**

We are scheduled to discuss the independent review with you at the Banking Matters meeting on Wednesday, 24 September.

Sam Thornton, Senior Analyst, Macroeconomic and Fiscal Policy, s9(2)(k)  
Ben Gaukrodger, Manager, Macroeconomic and Fiscal Policy, s9(2)(k)

## IN CONFIDENCE



TE TAI ŌHANGA  
THE TREASURY

## Treasury Report: Independent review of monetary policy: Proposed reviewers

<b>Date:</b>	27 November 2025	<b>Report No:</b>	T2025/2984
		<b>File Number:</b>	MC-1-3-2-M132102

### Action sought

	Action sought	Deadline
Hon Nicola Willis <b>Minister of Finance</b>	<p><b>Discuss</b> the independent review of monetary policy with incoming Governor of the Reserve Bank, Anna Breman.</p> <p><b>Confirm</b> the selection of Athanasios Orphanides and Anella Munro as the two reviewers.</p> <p><b>Sign</b> and send the attached letters to consult the Associate Ministers of Finance (Hons Seymour, Jones and Bishop) on the selection of reviewers.</p>	3 December 2025

### Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Sam Thornton	Senior Analyst, Macroeconomic and Fiscal Policy	s9(2)(k)	N/A (mob) ✓
Alex Hamilton	Unit Manager, Macroeconomic and Fiscal Policy		N/A (mob)

### Minister's Office actions (if required)

**Return** the signed report to Treasury.

**Send** the signed consultation letters to the Associate Ministers of Finance (Hon Seymour, Hon Jones and Hon Bishop).

Note any feedback on the quality of the report

**Enclosure:** Yes (attached)

**IN CONFIDENCE****Treasury Report: Independent review of monetary policy: Proposed reviewers**

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**Purpose of Report**

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1. This report recommends the appointment of two experts to conduct the independent review of monetary policy and proposes next steps to progress the review, including to:
  - a discuss the review with Reserve Bank Governor, Anna Breman, and
  - b consult the Associate Ministers of Finance (Hon Seymour, Hon Jones, and Hon Bishop).
2. The selection of credible and expert reviewers is critical to achieving the purpose of the review.

**Background**

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3. In August 2025, Cabinet agreed to the terms of reference for an independent review of monetary policy during the COVID-19 period [ECO-25-MIN-0127 refers]. Cabinet authorised you, in consultation with the Associate Ministers of Finance, to approve the selection of two monetary policy experts to jointly conduct the review: one international expert and one New Zealand expert.

**Procurement process**

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4. The Treasury ran a closed competitive procurement process to select suitable reviewers that represent the highest value for money. We advised you on a list of suitable candidates in July [T2025/1665 refers].
5. In September, preferred candidates from the initial phase of the procurement fell through [T2025/2477]. The Treasury had recommended Kristin Forbes and Alan Bollard as reviewers, and s9(2)(a) and s9(2)(b)(ii) as the back-up international reviewer [T2025/2389]. However, Kristin Forbes withdrew due to timing constraints, Alan Bollard was ruled out following Ministerial consultation, and s9(2)(a) and s9(2)(b)(ii) withdrew due to concerns that, with the new Reserve Bank Governor coming from outside New Zealand, undertaking such a review at this time risked running counter to the need to support the new Governor to get established and reshape the organisation's direction.
6. In October, the Treasury proceeded with a second phase of the procurement process:
  - a The Treasury wrote to a further three international candidates (Ben Bernanke, s9(2)(a) and s9(2)(b)(ii) and Athanasios Orphanides) drawn from the list of suitable candidates and prioritised based on an assessment against the evaluation criteria (monetary policy expertise, objectivity and impartiality, and ability to deliver). Only Dr Orphanides expressed interest in the role.
  - b The Treasury also wrote to two New Zealand candidates (s9(2)(a) and s9(2)(b)(ii) and Anella Munro). s9(2)(a) and s9(2)(b)(ii) was drawn from the original list of suitable candidates and prioritised based on further assessment against the criteria. Anella Munro was recommended by Dr Orphanides. Both New Zealand candidates expressed interest. s9(2)(a)

**IN CONFIDENCE**

s9(2)(a)

7. A panel of two Treasury deputy secretaries assessed the candidates against the evaluation criteria and considered whether there were any conflicts of interest.

### Recommended reviewers

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8. We recommend the selection of Athanasios Orphanides as the international reviewer and Anella Munro as the New Zealand reviewer. Dr Orphanides has an international profile and extensive experience as a monetary policy practitioner. Dr Munro is an experienced monetary policy technician with a sound understanding of the New Zealand economy. We consider that Dr Orphanides and Dr Munro are the best options within the constraints of the review, including the proposed timing (to be completed by mid-2026) and the need to carefully manage conflicts of interest and public perceptions of objectivity and impartiality.

### International reviewer – Athanasios Orphanides

9. Dr Orphanides is currently a professor at the Massachusetts Institute of Technology (MIT) and was Governor of the Central Bank of Cyprus from 2007 to 2012. He was also a member of the Governing Council of the European Central Bank (ECB), responsible for formulating monetary policy for the euro area from 2008 to 2012 after Cyprus adopted the euro in 2008. He has previously worked as a senior adviser to the US Federal Reserve Board and holds a PhD in economics from MIT.
10. Dr Orphanides has conducted reviews of monetary policy in other jurisdictions, including South Africa, the euro area, and Australia. In the case of Australia, Dr Orphanides wrote a paper reviewing the Reserve Bank of Australia's (RBA) use of alternative monetary policy during the COVID-19 period, as a contribution to the wider 2023 RBA review.
11. Dr Orphanides concluded the RBA's monetary policy strategy, including the quantitative easing programme, "successfully provided critical monetary accommodation that supported the economy during the downturn, but faced challenges in normalising policy, in the face of an unexpectedly strong recovery and global inflationary shocks".
12. Dr Orphanides' publications show he favours greater use of benchmark rules in monetary policy decision making. For example, natural growth targeting links a central bank's interest rate decisions to the economy's estimated natural growth rate, which is the combined rate of non-inflationary real economic growth (potential output) and target inflation. While such approaches provide a clear rule, there is significant debate among experts about their overall value as actual policy decisions are complex and depend on many factors.

**IN CONFIDENCE****New Zealand reviewer – Anella Munro**

13. Dr Munro is currently a professor of economics at the Asia School of Business (since 2019). The Asia School of Business is a collaboration between MIT and Malaysia's central bank. Her past roles include senior adviser and adviser at the Reserve Bank of New Zealand (2010-2019), and senior economist at the Bank for International Settlements (2007-2009). Her research and policy work is related to both monetary policy and financial stability. She holds a PhD from the University of Oxford on the identification and transmission of monetary policy in New Zealand. Dr Munro's track-record and roles across central banking issues indicate her ability to deliver a review to a high standard.
14. Dr Munro left the Reserve Bank in 2019 before the COVID-19 response. Dr Munro has not raised any conflicts of interest. However, her time at the Reserve Bank overlapped with that of some members of the Monetary Policy Committee who served during the 2020-2022 period.
15. As Dr Munro does not have a significant international or domestic profile or experience serving on a monetary policy committee or similar, the review will rely on Dr Orphanides for its reputational profile and operational monetary policy experience. [REDACTED] s9(2)(g)(i) [REDACTED]. However, our engagements with Dr Orphanides and Dr Munro to date indicate they intend to conduct the review jointly as co-reviewers.
16. A strong working relationship between the two reviewers will be required to deliver a high-quality review within the available time and resources. Both candidates have previously worked together, and we have facilitated a joint meeting to confirm alignment of their overall approach.

**Interactions between the review and the new Governor's plans**

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17. The review will be occurring early in the term of the new Governor. This creates an opportunity to strengthen the review's impact by aligning it with Dr Breman's plans for the Reserve Bank's approach to monetary policy. The benefits of the review, and its enduring impact, will be maximised if it is integral to Dr Breman's plans.
18. At your 3 December meeting with Dr Breman, we recommend you update Dr Breman on progress with commencing the review, her comfort with the proposed appointments of Dr Orphanides and Dr Munro, and how she sees the review complementing her wider plans for monetary policy.
19. Dr Breman is familiar with external monetary policy reviews and may have views on alternative reviewers. The Riksbank's monetary policy is reviewed by an external Swedish economist every year and by external international economists about every five years. The latest long-term review, co-led by Carolyn Wilkens and Morten Ravn, is due to conclude by the end of 2025.

**IN CONFIDENCE****Timing of the review**

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20. Dr Orphanides and Dr Munro have confirmed they could provide a final report by the end of July 2026. Advice and decisions on the review's recommendations would follow in August 2026 at the earliest. Dr Orphanides and Dr Munro are also willing to push out the deadline for the final report until November or December 2026 if you prefer. We recommend proceeding with the July 2026 deadline as it allows implementation of advice related to the review's findings as soon as possible (e.g., the memorandum of understanding on the use of alternative monetary policy tools).
21. If following discussions with Dr Breman you decide to consider alternative reviewers, such as any suggestions offered by Dr Breman, this will likely require you to push out the timing of the review, potentially until late 2026. Delays confirming the appointment of Dr Orphanides and Dr Munro runs the risk they withdraw their candidacy to pursue other opportunities. Despite this, we think it would be worthwhile considering alternative reviewers suggested by Dr Breman if she expresses strong views that alternative reviewers would better support and align with her plans for the Reserve Bank's approach to monetary policy.

**Risks**

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22. Previous advice has noted that initiating a review of the performance of monetary policy risks weakening perceptions of the Reserve Bank's operational independence. We recommend these risks are mitigated through your communications that emphasise the review is provided for in New Zealand's legislative monetary frameworks (section 194 of the Reserve Bank Act) and is being undertaken free from bias by impartial and objective monetary policy experts. The proactive release of the Cabinet paper and associated advice will show impartiality and objectivity in the terms of reference and selection of reviewers was carefully considered in the establishment of the review.
23. We will work with your office to coordinate the announcement of the review.

**Implementation and next steps**

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24. We recommend you discuss the independent review with Dr Breman at your meeting on 3 December.
25. If Dr Breman is supportive of Dr Orphanides and Dr Munro, we recommend you sign and send the attached letter to consult the Associate Ministers of Finance (Hon Seymour, Hon Jones, and Hon Bishop). We have set relatively short timeframes for feedback from the Associate Ministers to ensure the review can get underway in December to meet the July 2026 deadline for the final report.
26. If Dr Breman has alternative suggestions for the reviewers or terms of reference, we can provide further advice.
27. In a meeting on 10 November, you invited Hon Seymour to suggest New Zealand candidates to run the review. There is a risk Dr Orphanides will be unwilling to conduct the review with an alternative New Zealand candidate. Dr Orphanides has stated his interest in the review is contingent on the New Zealand reviewer being someone he is confident he can work with and whom he considers to be a monetary policy expert.

**IN CONFIDENCE****Recommended actions**

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We recommend that you:

- a **discuss** the independent review of monetary policy with the incoming Reserve Bank Governor, Dr Anna Breman, at your meeting on 3 December to check the review complements Dr Breman's plans for monetary policy.  
*Agree/disagree*
- b **agree**, subject to the discussion with Dr Breman, to appoint Athanasios Orphanides as the international reviewer for the independent review of monetary policy.  
*Agree/disagree*
- c **agree**, subject to the discussion with Dr Breman, to appoint Anella Munro as the New Zealand reviewer for the independent review of monetary policy.  
*Agree/disagree*
- d **indicate** if you would like to meet with one, or both, of the proposed reviewers before confirming their selection.  
*Yes/no – meet with Athanasios Orphanides before confirming selection*  
*Yes/no – meet with Anella Munro before confirming selection*
- e **sign** the attached letters to the Associate Ministers of Finance (Hon Seymour, Hon Jones and Hon Bishop) to consult them on the selection of Athanasios Orphanides and Anella Munro to conduct the review of monetary policy.  
*Agree/disagree*

Alex Hamilton  
**Unit Manager, Macroeconomic and Fiscal Policy**

Hon Nicola Willis  
**Minister of Finance**

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## Hon Nicola Willis

Minister of Finance  
Minister for Economic Growth  
Minister for Social Investment



Hon David Seymour  
Associate Minister of Finance  
[David.Seymour@parliament.govt.nz](mailto:David.Seymour@parliament.govt.nz)

Hon Shane Jones  
Associate Minister of Finance  
[Shane.Jones@parliament.govt.nz](mailto:Shane.Jones@parliament.govt.nz)

Hon Chris Bishop  
Associate Minister of Finance  
[Chris.Bishop@parliament.govt.nz](mailto:Chris.Bishop@parliament.govt.nz)

Dear Ministers

### **Consultation on reviewers to conduct an independent review of monetary policy**

I am writing to consult you on my intention to confirm Athanasios Orphanides and Anella Munro to run an independent review of monetary policy during the COVID-19 period. The selection of credible and expert reviewers is critical to achieving the purpose of the review.

In August, Cabinet agreed to establish an independent review of monetary policy to support accountability and public confidence in the operational independence of monetary policy, and to inform the ongoing effectiveness of monetary policy [ECO-25-MIN-0127 refers]. Cabinet authorised me, in consultation with the Associate Ministers of Finance, to approve the selection of two monetary policy experts – one international candidate and one New Zealand candidate – to jointly conduct the review, following the conclusion of a Treasury-run procurement process. In September, I consulted you on two other candidates to run the review, however their candidacy did not proceed due to scheduling conflicts and feedback from consultation.

I propose to select Athanasios Orphanides as the international reviewer. Dr Orphanides is currently a professor at the Massachusetts Institute of Technology (MIT) and was Governor of the Central Bank of Cyprus from 2007 to 2012. He was also a member of the Governing Council of the European Central Bank, responsible for formulating monetary policy for the euro area, between 2008 and 2012. He previously worked as a senior adviser to the US Federal Reserve Board of Governors and holds a PhD in economics from MIT. Dr Orphanides has reviewed monetary policy in other jurisdictions, including South Africa, the euro area, and Australia.

I also propose to select Anella Munro as the New Zealand reviewer. Dr Munro is currently a professor of economics at the Asia School of Business, a collaboration between MIT and Malaysia's central bank. Her past roles include senior adviser and adviser at the Reserve Bank of New Zealand (2010-2019), and senior economist at the Bank for International Settlements (2007-2009). Her research and policy work is related to both monetary policy and financial stability. She holds a PhD from the University of Oxford on the identification and transmission of monetary policy in New Zealand. Dr Munro left the Reserve Bank in 2019 before the COVID-19 response.

I request your feedback on Dr Orphanides and Dr Munro by 10 December 2025 to enable the review to begin promptly. The reviewers are due to provide a final report in July 2026.

Yours sincerely

Hon Nicola Willis  
**Minister of Finance**

## IN CONFIDENCE



TE TAI ŌHANGA  
THE TREASURY

**Treasury Report:** Independent review of monetary policy: Alternative options for the New Zealand reviewer

<b>Date:</b>	5 December 2025	<b>Report No:</b>	T2025/3079
		<b>File Number:</b>	MC-1-3-2-M132419

**Action sought**

	<b>Action sought</b>	<b>Deadline</b>
Hon Nicola Willis <b>Minister of Finance</b>	<b>Indicate</b> any potential candidates for New Zealand reviewer you want the Treasury to progress.	8 December 2025

**Contact for telephone discussion (if required)**

<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st Contact</b>
Sam Thornton	Senior Analyst, Macroeconomic and Fiscal Policy	s9(2)(k)	N/A (mob) ✓
Alex Hamilton	Unit Manager, Macroeconomic and Fiscal Policy	s9(2)(g)(ii)	N/A (mob)

**Minister's Office actions (if required)**

**Return** the signed report to Treasury.

Note any feedback on the quality of the report

**Enclosure:** Yes

**IN CONFIDENCE****Treasury Report: Independent review of monetary policy: Alternative options for the New Zealand reviewer**

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**Purpose**

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1. This report provides an updated list of potential New Zealand candidates to co-lead the independent review of monetary policy.

**Context**

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2. You have requested a comprehensive list of potential candidates for the New Zealand reviewer. The Treasury recently recommended you appoint Athanasios Orphanides and Anella Munro as reviewers [T2025/2984]. However, you noted that you would also like to consider further options.
3. We continue to recommend Dr Orphanides and Dr Munro as the best options within the constraints of the review, including the proposed timing (to be completed by July 2026) and the need to carefully manage conflicts of interest and public perceptions of objectivity and impartiality.
4. We acknowledge that Dr Munro's standing relative to Dr Orphanides creates risks to constructive tension and the consideration of broader perspectives. s9(2)(g)(i)  
[REDACTED]  
[REDACTED] Dr Orphanides and Dr Munro have also expressed their intention for the review to be a joint, co-led product, and to seek input from a broad set of economic commentators and experts.

**Further options for the New Zealand candidates**

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5. A comprehensive list of potential candidates for the New Zealand reviewer is attached as Annex 1. The list includes candidates' qualifying characteristics, the status of their candidacy, and an initial assessment against the criteria. We have also attached a list of international candidates in Annex 2 in case you wish to consider broader options.
6. The selection of reviewers is critical to deliver a high-quality and credible review that supports accountability and public confidence in the operational independence of monetary policy and provides lessons for future periods of macroeconomic instability. Accordingly, the key criteria we have applied to the selection of reviewers are:
  - a **monetary policy expertise** – a deep knowledge of contemporary monetary policy theory and research and international best practice, and a track-record of analysing economic information to make monetary policy decisions (e.g., experience serving on a monetary policy committee or similar).
  - b **objectivity and impartiality** – ideally, were not involved in making similar decisions in other jurisdictions to those made by the Reserve Bank's MPC during the review period, would not create risks to public perceptions of bias, and have no other potential conflicts or perceptions of conflicts that could undermine perceptions of impartiality and objectivity.

**IN CONFIDENCE**

- c **ability to deliver** – a track record in delivering similar reviews (e.g., if the reviewer has reviewed a central bank before) and available to complete the work in the time available.
7. Progress securing suitable reviewers has been challenging. We have identified relatively few New Zealand candidates with recent monetary policy experience who would not create risks to public perceptions of bias. New Zealand monetary policy experts with recent experience tend to be employed by the Reserve Bank or trading banks. We have applied a relatively high bar to expertise and perception risks to ensure the review provides insights that drive reflection and change to the approach to monetary policy.
  8. In addition, seeking to establish the review with a relatively short lead-time (approximately 2-3 months from initial contact with the candidates) has hampered interest from high-calibre candidates who tend to have full schedules in the near-term. The timeframes to complete the review (around six months) have also tended to make it challenging for candidates to fit the review around their other commitments.

### Alternative candidates for the New Zealand reviewer

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9. If you wish to consider alternatives to Dr Anella Munro, our first best advice is to reconsider Alan Bollard as the New Zealand reviewer. Dr Bollard is likely be the best and fastest option to secure, subject to resolving concerns raised in consultation with Associate Ministers of Finance and ascertaining Dr Bollard's interest.
10. The Treasury recommended Dr Bollard as the New Zealand reviewer in the first round of advice in September 2025 [T2025/2389]. However, Hon Shane Jones raised concerns about the potential conflict of interest in relation to Dr Bollard's role as a director of the China Construction Bank (New Zealand). The Treasury advised that the potential conflict of interest could be managed through open disclosure of Dr Bollard's directorship and by having the other reviewer cover aspects of the review relating to the Funding for Lending Programme.
11. Further to Dr Bollard, we also seek your views on other alternative New Zealand reviewers, including those listed in Annex 1. Our initial view is that the next best options would be:
  - a **David Archer** – Mr Archer is an expert on the governance arrangements and institutional design features of central banks. He is a former Reserve Bank Assistant Governor and former Head of the Central Banking Studies Unit at the Bank for International Settlements. We understand he is retired and currently lives in Switzerland. We did not previously progress Mr Archer's candidacy due to his key role in an ongoing dispute between the Reserve Bank and the trustees of the Reserve Bank staff superannuation and provident fund because of risks to public perceptions of bias. If you wish to consider Mr Archer further, we can seek more information about the status of the dispute and provide further advice on its significance and options to manage it.
  - b **Arthur Grimes** – Dr Grimes is a former Reserve Bank chair (2003-2013) and former chief economist at the Reserve Bank and the National Bank of New Zealand. He is currently a professor at Victoria University of Wellington. We did not previously progress Dr Grimes' candidacy due to risks of perceptions of bias given his public criticisms of the Reserve Bank's monetary policy response to the COVID-19 pandemic.

**IN CONFIDENCE****Risks**

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**Risks to the July 2026 deadline for the final report**

12. You have indicated you want the review completed by the end of July 2026. However, Dr Orphanides has stated that completing the review by that deadline relies on starting the review in December 2025. Starting the review in December will be challenging if you wish to select an alternative reviewer to Dr Munro (since this will require bringing the alternative reviewer up-to-speed on the review, testing the compatibility of the two reviewers together, seeking your approval, and securing approval from the Associate Ministers of Finance).
13. Out of the alternative candidates for the New Zealand reviewer, Dr Bollard would pose the least risk to timing as he is already familiar with the nature and scope of the review.
14. Other possible mitigations include:
  - a Narrowing the scope of the review to fit with the July deadline. The current terms of reference are appropriately broad to support a comprehensive assessment of the monetary policy response to COVID-19. We could test options with your preferred reviewers to allow them to deliver the review within the timing constraints.
  - b Running two separate reviews: one by Dr Orphanides and one by the New Zealand reviewer. This would allow Dr Orphanides to start the review sooner. We do not recommend this option as it would lose the benefit of having a single report informed by different expertise and perspectives. It may also be possible for Dr Orphanides to start the review before we have secured the New Zealand reviewer. However, we expect Dr Orphanides will want certainty about the New Zealand reviewer before committing to the review.
  - c Seeking an alternative international reviewer to Dr Orphanides. However, this approach also carries timing risks given our experience to date is that high calibre international monetary policy experts generally have limited short-term availability.
  - d Pushing out the deadline for the final report to August or September 2026.

**Risks to Athanasios Orphanides as the international reviewer and alternative options**

15. We expect Dr Orphanides will be selective about who he works with to be confident he can deliver a high-quality joint review in the time and resource constraints. If you wish to consider an alternative reviewer to Dr Munro, a possible solution is to retain Dr Munro on the review as an additional domestic reviewer (i.e., a third reviewer) or a supporting consultant. We think Dr Munro would make a valuable contribution to the review in either role.
16. Delays confirming the appointment of Dr Orphanides and Dr Munro also runs the risk they withdraw their candidacy to pursue other opportunities.

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18. Annex 2 lists previously considered international candidates if you wish to explore alternatives to Dr Orphanides. The list includes two international candidates you previously approved but who subsequently withdrew.
- a **Kristin Forbes** – You previously agreed to Treasury’s recommendation to select Dr Forbes as the international reviewer in the first selection round in September 2025 [T2025/2389]. However, in working through the detailed timeline and approach to the review with Dr Forbes and Dr Bollard, we identified the risk that the two candidates may be unable to agree on a draft report by mid-December 2025. Dr Forbes had other commitments in the first half of 2026, meaning she had to complete the draft report by mid-December. If you are willing to push out the timing of the review to late 2026, Ms Forbes may have availability in the second half of 2026.
- b s9(2)(a) and s9(2)(b)(ii) – You previously agreed to Treasury’s recommendation to select s9(2)(a) and s9(2)(b)(ii) as the alternate international reviewer (if Ms Forbes’ candidacy fell through) [T2025/2389]. However, s9(2)(a) and s9(2)(b)(ii) withdrew following the announcement of Dr Anna Breman as Governor. s9(2)(a) and s9(2)(b)(ii) cited concerns that, with the new Reserve Bank Governor coming from outside New Zealand, undertaking such a review at this time risks running counter to the need to support the new Governor to get established and chart some new directions. We offered to facilitate an engagement between s9(2)(a) and s9(2)(b)(ii) and Dr Breman but were unsuccessful at changing s9(2)(a) and s9(2)(b)(ii) position.
19. The Reserve Bank Governor may also have international connections she could leverage. For example, one of the previously considered candidates, Carloyn Wilkins, is currently co-leading an independent review of monetary policy at Sweden’s central bank which is due to conclude in December 2025.

**Next steps**

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20. Subject to your feedback on this report, we will immediately engage with any alternative New Zealand candidates you propose to seek their interest in the role. We will also test the candidates with Dr Orphanides to confirm their compatibility as joint reviewers.
21. We will keep your office updated and will provide further advice seeking agreement to confirm the reviewers and consult the Associate Ministers of Finance as soon as possible.

**IN CONFIDENCE****Recommended actions**

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We recommend that you:

EITHER:

- a **Agree** to the selection of Dr Athanasios Orphanides and Dr Anella Munro as co-leads for the independent review of monetary policy and sign the attached letters to consult the Associate Ministers of Finance (**recommended**).

*Agree/disagree*

OR

- b **Agree**, if you are confident of resolving concerns raised in consultation with Associate Ministers of Finance, that the Treasury engages Dr Bollard to retest his interest in the role of New Zealand reviewer.

*Agree/disagree.*

OR

- c **Agree** that the Treasury engages Dr Arthur Grimes and David Archer to test their interest in the role of New Zealand reviewer.

*Agree/disagree.*

- d **Indicate** any other potential candidates for New Zealand reviewer that you want the Treasury to progress.

*Yes/no.*

Alex Hamilton  
**Unit Manager, Macroeconomic and Fiscal Policy**

Hon Nicola Willis  
**Minister of Finance**

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## Hon Nicola Willis

Minister of Finance  
Minister for Economic Growth  
Minister for Social Investment



Hon David Seymour  
Associate Minister of Finance  
[David.Seymour@parliament.govt.nz](mailto:David.Seymour@parliament.govt.nz)

Hon Shane Jones  
Associate Minister of Finance  
[Shane.Jones@parliament.govt.nz](mailto:Shane.Jones@parliament.govt.nz)

Hon Chris Bishop  
Associate Minister of Finance  
[Chris.Bishop@parliament.govt.nz](mailto:Chris.Bishop@parliament.govt.nz)

Dear Ministers

### **Consultation on reviewers to conduct an independent review of monetary policy**

I am writing to consult you on my intention to confirm Athanasios Orphanides and Anella Munro to run an independent review of monetary policy during the COVID-19 period. The selection of credible and expert reviewers is critical to achieving the purpose of the review.

In August, Cabinet agreed to establish an independent review of monetary policy to support accountability and public confidence in the operational independence of monetary policy, and to inform the ongoing effectiveness of monetary policy [ECO-25-MIN-0127 refers]. Cabinet authorised me, in consultation with the Associate Ministers of Finance, to approve the selection of two monetary policy experts – one international candidate and one New Zealand candidate – to jointly conduct the review, following the conclusion of a Treasury-run procurement process. In September, I consulted you on two other candidates to run the review, however their candidacy did not proceed due to scheduling conflicts and feedback from consultation.

I propose to select Athanasios Orphanides as the international reviewer. Dr Orphanides is currently a professor at the Massachusetts Institute of Technology (MIT) and was Governor of the Central Bank of Cyprus from 2007 to 2012. He was also a member of the Governing Council of the European Central Bank, responsible for formulating monetary policy for the euro area, between 2008 and 2012. He previously worked as a senior adviser to the US Federal Reserve Board of Governors and holds a PhD in economics from MIT. Dr Orphanides has reviewed monetary policy in other jurisdictions, including South Africa, the euro area, and Australia.

I also propose to select Anella Munro as the New Zealand reviewer. Dr Munro is currently a professor of economics at the Asia School of Business, a collaboration between MIT and Malaysia's central bank. Her past roles include senior adviser and adviser at the Reserve Bank of New Zealand (2010-2019), and senior economist at the Bank for International Settlements (2007-2009). Her research and policy work is related to both monetary policy and financial stability. She holds a PhD from the University of Oxford on the identification and transmission of monetary policy in New Zealand. Dr Munro left the Reserve Bank in 2019 before the COVID-19 response.

I request your feedback on Dr Orphanides and Dr Munro by 15 December 2025 to enable the review to begin promptly. The reviewers are due to provide a final report in July 2026.

Yours sincerely

Hon Nicola Willis  
**Minister of Finance**

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## Annex 1: New Zealand candidates

Person	Qualifying characteristics	When considered	Initial assessment against criteria	Status of candidacy
<b>Anella Munro</b>	Currently a professor of economics at the Asia School of Business (since 2019), formerly senior adviser and adviser at the Reserve Bank of New Zealand (2010-2019), and senior economist at the Bank for International Settlements (2007-2009), PhD from the University of Oxford on the identification and transmission of monetary policy in New Zealand.	Suggested by Athanasios Orphanides.	s9(2)(g)(i)	<b>On hold.</b> Treasury recommended Dr Munro be selected as the New Zealand reviewer in the second selection round in November 2025 [T2025/2984].
<b>Alan Bollard</b>	Governor of the Reserve Bank of New Zealand from 2002 to 2012, including during the Global Financial Crisis, Secretary to the New Zealand Treasury from 1997-2002, Chair of the New Zealand Infrastructure Commission 2019-2024. Currently a Commissioner at the Tertiary Education Commission, amongst other directorships.	June 2025 list [T2025/1665] – Minister approved engagement.		<b>Not progressed following consultation with the Associate Ministers of Finance.</b> Treasury recommended Dr Bollard be selected as the New Zealand reviewer in the first selection round in September 2025 [T2025/2389]. However, Hon Shane Jones raised concerns about the potential conflict of interest in relation to Dr Bollard's role as a Director of the China Construction Bank (NZ). Treasury had recommended actions to manage the potential conflict.
<b>David Archer</b>	Former Reserve Bank Assistant Governor, former Head of the Central Banking Studies unit at the Bank for International Settlements. International expert on the governance arrangements and institutional design features of central banks.	June 2025 list [T2025/1665]		<b>Not contacted.</b> Treasury did not contact Mr Archer after considering the risk of perceptions of bias given Mr Archer is a key person involved in an ongoing dispute between the Reserve Bank and the trustees of the Reserve Bank staff superannuation and provident fund. The dispute was reported by media as it proceeded through the courts in the 2010s.
<b>Arthur Grimes</b>	Reserve Bank of New Zealand Chairman from 2003-2013, Former Chief Economist at both the Reserve Bank of New Zealand and the National Bank of New Zealand.	Not included on June 2025 list [T2025/1665].		<b>Not contacted.</b> Treasury did not include Prof Grimes on the June 2025 list due to risks of perceptions of bias given his public criticisms of the Reserve Bank's monetary policy response to the COVID-19 pandemic, particularly the dual mandate to achieve maximum sustainable employment.

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s9(2)(a) and s9(2)(b)(ii)	June 2025 list [T2025/1665]	s9(2)(g)(i)	s9(2)(a) and s9(2)(b)(ii)
<b>John Whitehead</b>	Secretary to the Treasury from 2003 to 2011, former executive Director on the Board of the World Bank Group, Commissioner on Phase 1 of the Royal Commission COVID-19 Lessons Learned.	June 2025 list [T2025/1665] – Minister approved engagement.	<b>Mr Whitehead declined to be considered for the role due to lack of availability.</b> Mr Whitehead noted he would be available from June 2026.
s9(2)(a) and s9(2)(b)(ii)	June 2025 list [T2025/1665].		<b>Considered by Treasury’s Evaluation Panel but not recommended.</b> s9(2)(a) and s9(2)(b)(ii)
<b>Cameron Bagrie</b>	Chief Economist at ANZ 2006-2011.	June 2025 list [T2025/1665] – Minister approved engagement.	<b>Not contacted.</b> Treasury decided did not to contact Mr Bagrie as he was under consideration for another role in relation to the Reserve Bank during the first selection round. s9(2)(g)(i)
s9(2)(a)	June 2025 list [T2025/1665].		<b>Not contacted.</b> s9(2)(g)(i)

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s9(2)(a)	June 2025 list [T2025/1665].	s9(2)(g)(i)	<b>Not contacted.</b> s9(2)(a), s9(2)(g)(i)
	June 2025 list [T2025/1665].		<b>Not contacted.</b> s9(2)(g)(i)
	June 2025 list [T2025/1665].		<b>Not contacted.</b> s9(2)(g)(i)
	June 2025 list [T2025/1665].		<b>Not contacted.</b> s9(2)(g)(i)
	Not included on June 2025 list [T2025/1665].		<b>Not contacted.</b> s9(2)(g)(i)
	Not included on June 2025 list [T2025/1665].		<b>Not contacted.</b> s9(2)(g)(i)

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s9(2)(a)	Not included on June 2025 list [T2025/1665].	s9(2)(g)(i)	<b>Not contacted.</b> s9(2)(g)(i)
	Not included on June 2025 list [T2025/1665].		<b>Not contacted.</b> s9(2)(a)
	Not included on June 2025 list [T2025/1665].	s9(2)(g)(i)	<b>Not contacted.</b> s9(2)(a)
	Suggested by the Office of Hon Shane Jones.		<b>Not contacted.</b> s9(2)(g)(i)
	Suggested by the Office of Hon Shane Jones.		<b>Not contacted.</b> s9(2)(g)(i)

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## Annex 2: International candidates

Person	Qualifying characteristics	When considered	Initial assessment against criteria	Status of candidacy
<b>Athanasios Orphanides</b>	Prominent researcher on monetary policy, Governor of Central Bank of Cyprus 2007-2012, and member of Governing council of the European Central Bank 2008-2012. Advised on other central bank reviews (Reserve Bank of Australia 2023, Central Bank of Iceland 2018).	June 2025 list [T2025/1665].	s9(2)(g)(i)	<b>On hold.</b> Treasury recommended Dr Orphanides be selected as the international reviewer in the second selection round in November 2025 [T2025/2984].
<b>Kristin Forbes</b>	External Member of the Bank of England MPC (2014-2017), White House Council of Economic Advisors (2003-05), currently a professor at Massachusetts Institute of Technology. Reviewed the Bank of Canada's own COVID-19 review. Was also involved in a 2018 Central Bank of Iceland review.	June 2025 list [T2025/1665] – Minister approved engagement.		<b>Withdrew due to timing constraints.</b> The Minister of Finance agreed to Treasury's recommendation to select Dr Forbes as the international reviewer in the first selection round in September 2025 [T2025/2389]. However, in working through the detailed timeline and approach to the review with Dr Forbes and Dr Bollard, we identified the risk that the two candidates may be unable to agree on a draft report by mid-December. Dr Bollard raised concerns that he would not be able to confidently agree to the findings of a draft report by mid-December. Dr Forbes had other commitments in the first half of 2026, meaning she had to complete the draft report by mid-December. In addition, Dr Forbes needed to start the review in September to hit the December deadline, meaning there was insufficient time to find an alternate New Zealander reviewer. Dr Forbes indicated she had greater availability in the second half of 2026.
s9(2)(a) and s9(2)(b)(ii)		June 2025 list [T2025/1665] – Minister approved engagement.		<b>Withdrew due to concerns about the impact of the review on establishment of the new Governor.</b> The Minister of Finance agreed to Treasury's recommendation to select s9(2)(a) and s9(2)(b)(ii) as the alternate international reviewer (if Ms Forbes' candidacy fell through) in the first selection round in September 2025 [T2025/2389]. However, s9(2)(a) and s9(2)(b)(ii) withdrew following the announcement of Anna Breman as the new Governor. s9(2)(a) and s9(2)(b)(ii) cited concerns that, with the new Reserve Bank Governor coming from outside New Zealand, undertaking such a review at this time risks running counter to the need to support the new Governor to get established and chart some new directions. We gave

**IN-CONFIDENCE**

				s9(2)(a) and s9(2)(b)(ii) assurances about the objectives of the review and offered to facilitate engagement with Dr Breman but this did not overcome s9(2)(a) and s9(2)(b)(ii) concerns.
<b>Carolyn Wilkins</b>	Deputy Governor Bank of Canada 2014-December 2020 (note this period overlaps with the period of the proposed review), and current external member of Bank of England Financial Policy Committee. She was a panellist on the 2023 Reserve Bank of Australia review. Currently also a senior advisor at Princeton.	June 2025 list [T2025/1665] – Minister approved engagement.	s9(2)(g)(i)	<b>Ms Wilkins declined citing lack of availability.</b> The Treasury engaged Ms Wilkins in the first selection round in September, but she declined to be considered further citing lack of availability until mid-2026. Ms Wilkins is currently co-leading an independent review of monetary policy in Sweden which is due to conclude in December 2025.
s9(2)(a)		June 2025 list [T2025/1665].		<b>Not contacted.</b>
s9(2)(a) and s9(2)(b)(ii)		June 2025 list [T2025/1665].		<b>Did not progress.</b> Treasury contacted s9(2)(a) and s9(2)(b)(ii) in the second selection in November but did not receive a reply.
s9(2)(a)		June 2025 list [T2025/1665].		<b>Not contacted.</b>
		June 2025 list [T2025/1665].		<b>Not contacted.</b>
		June 2025 list [T2025/1665].		<b>Not contacted.</b>
		June 2025 list [T2025/1665] – Minister		<b>Not contacted.</b> s9(2)(g)(i)

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		approved engagement.		s9(2)(g)(i)
s9(2)(a)		June 2025 list [T2025/1665].	s9(2)(g)(i)	<b>Not contacted.</b>
		June 2025 list [T2025/1665] – Minister approved engagement.		<b>Not contacted.</b> s9(2)(g)(i)
<b>Renée Fry-McKibbin</b>	Professor of Economics at the Crawford School of Public Policy, Australian National University and a non-executive member of the Reserve Bank of Australia’s Monetary Policy Board since 1 March 2025. On the panel of the 2022-23 Reserve Bank of Australia review.	June 2025 list [T2025/1665] – Minister approved for engagement.		<b>Ms Fry-McKibbin declined citing lack of availability.</b> The Treasury contacted Ms Fry-McKibbin in the first selection round in September, but she declined to be considered further citing lack of availability through until mid-2026.
<b>Ben Bernanke</b>	Chair of the Federal Reserve Board of Governors 2006-2014. Undertook a review of the Bank of England’s forecasting during COVID in 2024 (although this was much more technical than what the review proposed for New Zealand). Keynote speaker at the Reserve Bank of New Zealand’s conference on 6-7 March 2025.	June 2025 list [T2025/1665].		<b>Mr Bernanke declined.</b> Treasury contacted Mr Bernanke in the second selection round in November but he declined to be considered further.
<b>Andrew Haldane</b>	Chief economist at the Bank of England and MPC member 2014 through June 2021 (note this period overlaps with the period of the proposed review). Now Head of the Royal Society.	June 2025 list [T2025/1665] – Minister approved engagement.		<b>Mr Haldane declined citing lack of availability in 2025.</b> The Treasury contacted Mr Bernanke in the first selection round but he declined due to lack of availability.

## IN CONFIDENCE



TE TAI ŌHANGA  
THE TREASURY

## Treasury Report: Independent Review of Monetary Policy: Proposals for Reviewers

<b>Date:</b>	15 December 2025	<b>Report No:</b>	T2025/3142
		<b>File Number:</b>	MC-1-3-2-M132716

### Action sought

	Action sought	Deadline
Hon Nicola Willis <b>Minister of Finance</b>	<p><b>Agree</b> to appoint Athanasios Orphanides and David Archer to run the independent review of monetary policy.</p> <p><b>Sign</b> the attached letter to consult the Associate Ministers of Finance.</p>	17 December 2025

### Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Sam Thornton	Senior Analyst, Macroeconomic and Fiscal Policy	s9(2)(k)	N/A (mob) ✓
Alex Hamilton	Unit Manager, Macroeconomic and Fiscal Policy	s9(2)(g)(ii)	N/A (mob)

### Minister's Office actions (if required)

**Return** the signed report to Treasury.

**Send** the signed letter to the Associate Ministers of Finance (Hon Seymour, Hon Jones, Hon Bishop).

Note any feedback on the quality of the report

**Enclosure:** Yes

**IN CONFIDENCE****Treasury Report: Independent Review of Monetary Policy: Proposals for Reviewers**

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**Purpose of Report**

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1. This report seeks approval to select two experts to jointly conduct the independent review of monetary policy and to consult the Associate Ministers of Finance.
2. Your decision is sought by 17 December 2025 to keep open the possibility of confirming the reviewers in December 2025 to help mitigate risks to the delivery of the review by the end of July 2026.

**Background**

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3. In August 2025 Cabinet authorised you, in consultation with the Associate Ministers of Finance, to select two monetary policy experts (one international, one New Zealander) to jointly review monetary policy over the COVID-19 period [ECO-25-MIN-0127 refers].
4. In November, you requested further options for the New Zealand reviewer following Treasury's recommendation to appoint Athanasios Orphanides as the international reviewer and Anella Muro as the New Zealand reviewer [T2025/2984]. You indicated you were seeking greater constructive tension between the reviewers.
5. On 5 December we provided you with the list of all candidates previously considered for the New Zealand reviewer role [T2025/3079]. On 8 December we received your approval to contact two candidates to test their interest in the review:
  - a **Arthur Grimes** is a former Reserve Bank chair (2003-2013) and former chief economist at the Reserve Bank and the National Bank of New Zealand. He is currently a professor at Victoria University. We had not previously contacted Dr Grimes' due to a risk of perceptions of bias given his public criticisms of the Reserve Bank.
  - b **David Archer** is an expert on the governance arrangements and institutional design features of central banks. He is a former Reserve Bank assistant governor and former head of the Central Banking Studies Unit at the Bank for International Settlements. He currently lives in Switzerland. We had not previously contacted Mr Archer due to a risk of perceptions of bias arising from his involvement in disputes between the Reserve Bank and the Reserve Bank Superannuation and Provident Fund Scheme (RBNZ scheme), a retirement income scheme for Reserve Bank staff that closed to new members in the early 1990s.

**Options for the New Zealander reviewer**

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6. Both Dr Grimes and Mr Archer are available and willing to be reviewers. They are supportive of the review, confirmed the timeline is workable for them, agreed with the terms of reference, and were favourable about the prospect of working with Athanasios Orphanides if he is confirmed as the international reviewer.

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8. The Treasury considers both Dr Grimes and Mr Archer have the expertise to perform the review, but have risks to perceptions of bias and perceptions of a conflict of interest, respectively, which could undermine the impact of the review. While we have applied our judgement, assessing perception risks is uncertain.
9. Both Dr Grimes and Mr Archer have extensive experience in monetary policy issues and a proven track-record of delivery. They are independently minded and frank in their views.
10. The Treasury considers David Archer to be the stronger candidate who would provide the kind of enquiring and challenging review you are seeking. Mr Archer has more recent monetary policy experience, having researched the governance arrangements and institutional design features of central banks at the Bank of International Settlements until 2022. Dr Grimes has an extensive background in monetary policy but has had more limited involvement in monetary policy for around 10-15 years.
11. Mr Archer has lived abroad in Switzerland for around 20 years. However, he has continued to be engaged in New Zealand's monetary policy frameworks, including peer reviewing external advice on the Reserve Bank's governance and accountability in 2017, and submitting on the Reserve Bank Act Review in 2019.

[Legally privileged]

*Perceptions of bias*

12. Mr Archer presents a lower risk to public perceptions of impartiality and objectivity. Mr Archer advised us that he has only made limited public comment on the monetary response to COVID-19 by the Reserve Bank or other central banks. His comments have tended to be in relation to the treatment of uncertainty and the benefits of avoiding point forecasts.
13. Dr Grimes has publicly criticised the Reserve Bank over recent years, including raising concerns about politicisation of the Reserve Bank since the introduction of the employment dual mandate in 2018 and describing the Reserve Bank's monetary policy response to COVID-19 as incompetent.
14. It would be uncommon for any expert on macroeconomic matters to not have an initial point of view regarding the Reserve Bank's response during the COVID-era. The point of the review is for an expert with reputational standing to come to an independent assessment based on more detailed information, including the information the MPC had at the relevant time. However, as part of managing any perceived risk to the integrity of the process, we expect the reviewers to approach the review with an open mind based on the information learnt as part of the review process.
15. Notwithstanding the veracity of Dr Grimes concerns, the strength of his criticisms could undermine perceptions that the review is being undertaken free from bias. Perceptions of impartiality and objectivity are important if the review is to make a convincing case for change with broad public, political and institutional buy-in. While pairing Dr Grimes with Dr Orphanides mitigates this risk, the findings and recommendations of the review could still be at risk of being dismissed as biased.

*Perception risks arising from the RBNZ Scheme*

16. Mr Archer bring risks to perceptions of bias and a conflict of interest from his role as a member and trustee of the RBNZ Scheme. Mr Archer has been involved in past disputes between the Reserve Bank and the RBNZ Scheme, which could give rise to perceptions of bias.
17. s9(2)(f)(iv), s9(2)(g)(i) and s9(2)(j)

**IN CONFIDENCE**

s9(2)(f)(iv), s9(2)(g)(i) and s9(2)(j)

18. The Treasury considers there is no material actual or potential conflict of interest between the role of reviewer and Mr Archer's role as member and trustee of the RBNZ Scheme because the matters covered by the review are separate from the RBNZ Scheme, there is no direct opportunity to use the review as leverage to benefit the members of the RBNZ Scheme, s9(2)(f)(iv), s9(2)(g)(i) and s9(2)(j)
- However, the Treasury recommends managing perception risks by:
- a openly acknowledging Mr Archer's role in the RBNZ Scheme in public communications announcing the review and in the final report, and
  - b inserting terms in the contract with Mr Archer requiring him not to act in a way that would compromise the integrity of the review and to inform us of any actual, potential or perceived conflict of interests on an ongoing basis.

### International reviewer

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19. We continue to recommend the selection of Athanasios Orphanides as the international reviewer. Dr Orphanides has an international profile and extensive experience as a monetary policy practitioner. He is currently a professor at the Massachusetts Institute of Technology (MIT) and was Governor of the Central Bank of Cyprus from 2007 to 2012. He was also a member of the Governing Council of the European Central Bank (ECB), responsible for formulating monetary policy for the euro area from 2008 to 2012 after Cyprus adopted the euro in 2008. He has previously worked as a senior adviser to the US Federal Reserve Board and holds a PhD in economics from MIT.
20. Dr Orphanides remains interested in the review but noted risks to the July 2026 deadline if the reviewers are not secured in December. He wishes to meet with the New Zealand reviewer soon to ensure they can jointly deliver the review.

s9(2)(g)(i)

### Timing and delivery risks

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21. The time it has taken to secure reviewers has increased risks to the July 2026 deadline for the final report. To mitigate risks to the timeline, we recommend involving Dr Anella Munro in the review as an external analyst supporting the reviewers. Dr Munro would be able to start work on the review quickly as she is already briefed and has been considering her approach to the issues. She is also s9(2)(g)(i) and would provide high value for money.

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22. Further, if we are unable to confirm the reviewers in December 2025, Dr Orphanides is not confident he would be able to deliver a high-quality review in the time available. If Dr Orphanides is your preferred international reviewer, we will work with him and your preferred New Zealand reviewer candidates on contingency options, including:
- a maintain the July 2026 deadline by seeking your approval to select Dr Anella Munro as a third reviewer to help spread the workload across the reviewers, or
  - b seeking your approval to consider a small three- or four-week extension to the deadline on the final report to late August 2026, if necessary, or
  - c seeking your approval to an alternative international reviewer (but noting this is our least-favoured option due to the risk we are unable to secure a high-calibre candidate).
23. We do not recommend appointing Dr Grimes and Mr Archer as the two reviewers (without an international reviewer) because an international reviewer provides valuable external perspectives and balances risks to perceptions of bias.

**Next steps**

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24. We are working to confirm the reviewers in December to help mitigate risks to the delivery of the review by the end of July 2026. We are conscious of your other commitments this week, including the release of the Budget Policy Statement, Half Year Economic and Fiscal Update, and GDP data.
25. We are available to discuss the review with you at the Weekly Agency Meeting on 17 December, or before then.
26. Consultation with the Associate Ministers of Finance is likely to be a key constraint on securing the reviewers in December. A letter to consult Hon Seymour, Hon Jones and Hon Bishop is attached for your signature. Your office is working with the Associate Ministers' offices to seek feedback by 23 December. We understand that engagement with Hon Shane Jones will be difficult after 18 December.

**IN CONFIDENCE****Recommended actions**

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We recommend that you:

- a **agree** to appoint Athanasios Orphanides as the international reviewer.  
*Agree/disagree.*
- b **agree** to appoint David Archer as the New Zealand reviewer (**Treasury recommended**).  
*Agree/disagree.*
- c **approve** the Treasury to engage Anella Munro as an external analyst to support the review (**Treasury recommended**).  
*Approved/not approved.*
- d **Sign** and send the attached letter to the Associate Ministers of Finance (Hon Seymour, Hon Jones, Hon Bishop) to consult them on your approved reviewers.  
*Yes/no*
- e **Indicate** any preferences for contingency options if consultation with the Associate Ministers of Finance cannot be completed in December and there are significant risks to meeting the July 2025 deadline for the final report.
- appointing Anella Munro as a third reviewer – *Preferred/not preferred*
  - extending the review deadline to late August 2026 – *Preferred/not preferred*
  - seeking an alternative international reviewer – *Preferred/not preferred*

Alex Hamilton  
**Unit Manager**

Hon Nicola Willis  
**Minister of Finance**

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## Hon Nicola Willis

Minister of Finance  
Minister for Economic Growth  
Minister for Social Investment



Hon David Seymour  
Associate Minister of Finance  
[David.Seymour@parliament.govt.nz](mailto:David.Seymour@parliament.govt.nz)

Hon Shane Jones  
Associate Minister of Finance  
[Shane.Jones@parliament.govt.nz](mailto:Shane.Jones@parliament.govt.nz)

Hon Chris Bishop  
Associate Minister of Finance  
[Chris.Bishop@parliament.govt.nz](mailto:Chris.Bishop@parliament.govt.nz)

Dear Ministers

### **Consultation on reviewers to conduct an independent review of monetary policy**

I am writing to consult you on my intention to confirm Athanasios Orphanides and David Archer to run an independent review of monetary policy during the COVID-19 period. The selection of credible and expert reviewers is critical to achieving the purpose of the review.

In August, Cabinet agreed to establish an independent review of monetary policy to support accountability and public confidence in the operational independence of monetary policy, and to inform the ongoing effectiveness of monetary policy [ECO-25-MIN-0127 refers]. Cabinet authorised me, in consultation with the Associate Ministers of Finance, to approve the selection of two monetary policy experts – one international candidate and one New Zealand candidate – to jointly conduct the review, following the conclusion of a Treasury-run procurement process.

In September, I consulted you on two other candidates to run the review, however their candidacy did not proceed due to scheduling conflicts and feedback from consultation.

I propose to select Athanasios Orphanides as the international reviewer. Dr Orphanides is currently a professor at the Massachusetts Institute of Technology (MIT) and was Governor of the Central Bank of Cyprus from 2007 to 2012. He was also a member of the Governing Council of the European Central Bank, responsible for formulating monetary policy for the euro area, between 2008 and 2012. He previously worked as a senior adviser to the US Federal Reserve Board of Governors and holds a PhD in economics from MIT. Dr Orphanides has reviewed monetary policy in other jurisdictions, including South Africa, the euro area, and Australia.

I also propose to select David Archer as the New Zealand reviewer. Mr Archer is an expert on the governance arrangements and institutional design features of central banks. He is a former Reserve Bank assistant governor (until 2004), including responsibility for monetary policy analysis and advice, forecasting, and research and as a member of the non-statutory monetary policy committee. More recently, he served as Head of the Central Banking Studies Unit at the Bank for International Settlements (until 2022). Mr Archer has a deep knowledge of central bank institutional design which would complement Dr Orphanides' experience as a monetary policy decision-maker.

I request your feedback on Dr Orphanides and Mr Archer as soon as possible, ideally by 23 December 2025, to enable the review to begin promptly. The reviewers are due to provide a final report in July 2026.

Yours sincerely

Hon Nicola Willis  
**Minister of Finance**

**IN CONFIDENCE**



**TE TAI ŌHANGA  
THE TREASURY**

**Treasury Report:** Independent review of monetary policy - announcements and proactive release

<b>Date:</b>	4 February 2026	<b>Report No:</b>	T2026/137
		<b>File Number:</b>	MC-1-3-2-M133443

**Action sought**

	<b>Action sought</b>	<b>Deadline</b>
Hon Nicola Willis <b>Minister of Finance</b>	<p><b>Sign</b> the attached letter to inform the Reserve Bank that the review has started.</p> <p><b>Agree</b> to proactively release the documents listed in Annex 2 (Cabinet paper and minute, terms of reference, and consultation letters with the Reserve Bank), and the final copy of your letter to the Reserve Bank informing it the review has started, at the same time as your public announcement of the review.</p>	9 February 2026

**Contact for telephone discussion (if required)**

<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st Contact</b>
Sam Thornton	Senior Analyst, Macroeconomic and Fiscal Policy	s9(2)(k)	N/A (mob) ✓
Alex Hamilton	Unit Manager, Macroeconomic and Fiscal Policy		N/A (mob)

**Minister's Office actions (if required)**

- Return** the signed report to Treasury.
- Send** the signed letter to the Reserve Bank.

Note any feedback on the quality of the report

**Enclosure:** Yes

**IN CONFIDENCE****Treasury Report: Independent review of monetary policy -  
announcements and proactive release**

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**Purpose of Report**

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1. This report updates you on the establishment of the independent review and next steps including:
  - a seeking your approval to write to the Reserve Bank to advise it that the review has started,
  - b the announcement of the review, including seeking your agreement to proactively release the Cabinet paper and material relating to consultation with the Reserve Bank.

**Background**

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2. On 22 January 2026 you agreed to proceed with the independent review of monetary policy and confirmed your selection of Athanasios Orphanides and David Archer to lead the review. The Treasury previously advised you to select Athanasios Orphanides and David Archer [T2025/3142].
3. You asked your staff to inform the Associate Ministers of Finance about your decision. You also asked the Treasury to work with the reviewers on a timeline that sees the review completed and publicly released as soon as possible.

**Update on establishment of the review**

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***Reviewers confirmed***

4. Athanasios Orphanides and David Archer have confirmed that they are willing and available to lead the review. Your office has confirmed that the Associate Ministers of Finance have not provided feedback on the reviewers. We expect to finalise the reviewers' contracts this week.

***Review timeline confirmed***

5. We have worked with the reviewers to develop a new timeline which sees the review completed in late August and available for public release in early September.
6. August is the earliest the reviewers believe they can complete the review to a high standard. The reviewers consider that narrowing the scope of the terms of reference would not make a material difference to the timeline.
7. The timeline proposes publishing the final report in early September 2026. At that time, you could issue a holding response thanking the reviewers and committing to formally responding later. There is a relatively short window for a Cabinet-approved Government response before the general election. There is no statutory requirement or timeframe for responding.

**IN CONFIDENCE**

<b>Milestone</b>	<b>Date</b>
Reviewers hold interviews in New Zealand with former Monetary Policy Committee members (voluntary participation) and other key commentators	15-20 March 2026
Draft report provided to the Treasury, the Reserve Bank and former Monetary Policy Committee members for two-week consultation	12 August 2026
Final report delivered to the Minister of Finance, the Treasury and the Reserve Bank	26 August 2026
[If requested by the Minister] Meeting between the Minister of Finance and the reviewers to debrief on the final report	Early September (to be confirmed)
Report publicly released	Early September

**Recommendation: Write to the Reserve Bank to confirm the review**

8. We recommend you write to the Reserve Bank to formally advise that the review has started. A draft letter is attached.
9. A formal letter is appropriate given the review is being conducted under your statutory powers in section 194 of the Reserve Bank Act. A letter also provides the Reserve Bank with a clear mandate to cooperate fully with the review (such as sharing sensitive information with the reviewers).

**Announcement of the review***Material to support your announcement*

10. We have provided a draft press release to your office. Reactive questions and answers are attached to support your public announcement of the review (Annex 1). The key messages reinforce that independent monetary policy is a central pillar of New Zealand's macroeconomic frameworks and that the review will strengthen this by supporting accountability and public confidence in the operational independence of monetary policy and informing its ongoing effectiveness.
11. We suggest that the draft press release notes Mr Archer is a trustee and member of the Reserve Bank Superannuation and Provident Fund Scheme (RBNZ scheme), a retirement income scheme for Reserve Bank staff that closed to new members in the early 1990s. Openly acknowledging Mr Archer's interests in the RBNZ Scheme helps to front-foot and manage perceptions of bias or a conflict of interest. Mr Archer has been involved in past disputes between the Reserve Bank and the RBNZ Scheme, [REDACTED] s9(2)(f)(iv), s9(2)(g)(i)] and s9(2)(j) [REDACTED] As previously advised, the Treasury considers there is no material actual or potential conflict of interest because the matters covered by the review are separate from the RBNZ Scheme, there is no direct opportunity to use the review as leverage to benefit the members of the RBNZ Scheme, [REDACTED] s9(2)(f)(iv), s9(2)(g)(i)] and s9(2)(j) [REDACTED]
12. Alongside your public announcement, the Reserve Bank may issue a short press release or public comment with supportive messaging around engaging with the review.

**IN CONFIDENCE***Date for your announcement*

13. We suggest you target early in the week of 9 February for the public announcement to clearly separate the review from the Monetary Policy Statement on 18 February 2026. Accordingly, we do not recommend announcements during the week of 16-20 February.
14. An alternative option is a late February announcement (e.g., from 23 February onward). The main downside is that a late February announcement would compress the time available for arranging in-person interviews between the reviewers and former Monetary Policy Committee members (among others) to be held in mid-March. While we could arrange interviews before your public announcement, this would create risks of information leakage and questions about the review being raised with the Reserve Bank at the 18 February Monetary Policy Statement media conference.

***Recommendation: Proactively release the Cabinet paper and consultation with the Reserve Bank***

15. We seek your approval to proactively release the Cabinet paper, minute, terms of reference and consultation letters with the Reserve Bank. Annex 2 lists the documents proposed for release. We also seek your approval to proactively release the final copy of your letter to the Reserve Bank informing it the review has started. Subject to your approval, the Treasury will publish these documents on our website when you issue your public announcement. The Cabinet paper indicates the timeline for the review was previously intended to start in September 2025 and conclude in March 2026. We have provided back-pocket questions and answers to respond to this and other possible queries.
16. We also plan to proactively release our advice to you on the independent review in late February, once we have reviewed the material for release and consulted relevant parties (e.g., candidates considered for the review). We will seek your approval to this broader proactive release later.

**Next steps**

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17. We will coordinate with your office and the Reserve Bank on your decision to publicly announce the review.

**IN CONFIDENCE****Recommended actions**

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We recommend that you:

- a **note** that Athanasios Orphanides and David Archer are confirmed as the reviewers for the independent review of monetary policy.
- b **note** the review will be completed in late August and available to be publicly released in early September.
- c **sign** the attached letter to inform the Reserve Bank that the review has started.  
*Agree / Disagree*
- d **note** the Treasury suggests you target early in the week of 9 February to announce the review to clearly separate it from the Monetary Policy Statement on 18 February.
- e **agree** to proactively release the documents listed in Annex 2 (Cabinet paper, minute, terms of reference and consultation letters with the Reserve Bank), and the final copy of your letter to the Reserve Bank informing it the review has started, at the same time as your public announcement of the review.

*Agree / Disagree*

Alex Hamilton  
**Unit Manager, Macroeconomic and Fiscal Policy**

Hon Nicola Willis  
**Minister of Finance**

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**IN CONFIDENCE****Annex 1: Reactive Q&A**

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**1. *Is the Government undermining the operational independence of monetary policy?***

- No. A strong monetary policy framework is one that is independent, accountable and builds on experience.
- The Reserve Bank of New Zealand Act deliberately provides for Minister-initiated reviews of the Reserve Bank's operations and performance. Such reviews support accountability and public confidence in the operational independence of monetary policy and inform the ongoing effectiveness of monetary policy. A review of the 2020–2022 period is appropriate given the unprecedented monetary policy decisions in response to the COVID-19 pandemic.
- External reviews of monetary policy performance are common in other advanced economies, including:
  - the review of the Central Bank of Iceland (2023),
  - the review of the Reserve Bank of Australia (2023),
  - the review of the Bank of England's forecasting and related processes led by Ben Bernanke (2024), and
  - the review of the central bank of Sweden (Riksbank) released in January 2026.

**2. *Why is the review being done now? COVID-19 was almost six years ago and there's a new Governor.***

- It is appropriate to learn from experience to strengthen trust, performance and the effectiveness of future monetary policy. A strong monetary policy framework is one that is independent, accountable and builds on experience.
- The review is not about any individuals.
- I did not initiate the review earlier because I was concerned it would have been misinterpreted as something other than a routine review.
- With the new Governor now in place, the time is right for an objective and impartial review to learn lessons for future monetary policy.

**3. *Is the new Governor supportive of the review? How does the review support her plans for the Reserve Bank?***

- The Governor is supportive, and the Reserve Bank is engaging fully with the review.
- The review's findings and recommendations are intended to help the Government and the Reserve Bank gain insights from past experience to strengthen the performance and effectiveness of monetary policy. A strong monetary policy framework is one that is independent, accountable and builds on experience.

**4. *Are you concerned about the performance of the Reserve Bank and the Monetary Policy Committee, both over the COVID-19 period and now? Why do the review if you're confident in the new leadership of the Reserve Bank, the MPC has been entirely replaced, and the Reserve Bank has turned a page?***

- Clearly the inflation outcomes in the COVID-19 period were not ideal. I have made my views about that clear in the past.
- I do believe the Reserve Bank has turned a page and I have strong confidence in its leadership and it as an institution.

**IN CONFIDENCE**

- The review is about learning from recent experience to strengthen the performance and effectiveness of future monetary policy.

**5. *What are you hoping to learn? What are you going to do with the findings?***

- The review is about learning from recent experience to strengthen the performance and effectiveness of future monetary policy.
- The review may make recommendations for improvements to monetary policy strategy and decision-making approaches, the role of alternative monetary policy, and effective coordination with fiscal policy, among other matters.
- The Government will consider the review's findings and recommendations and respond.

**6. *Will the review have enough time to consider the issues?***

- The timeframes support a focussed review on the decisions made by the Monetary Policy Committee over three years from 2020, as well as analysis provided by the Reserve Bank to support those decisions.
- The review can draw on overseas reviews of COVID-19 monetary policy and the Reserve Bank's own review.
- The reviewers have extensive experience in monetary policy issues and I am confident they can deliver a high quality report in the time available.
- A strong monetary policy framework is one that is independent, accountable and builds on experience.

**7. *The Reserve Bank has already reviewed the performance of monetary policy over the period. What will we learn from another review that we do not already know?***

- It is important to gain an external perspective on the performance of monetary policy during the COVID-19 period.
- The previous review was not independent of the Reserve Bank. The Reserve Bank set the terms of reference and reviewed its own performance.
- While internal reviews are valuable and are required under the Reserve Bank Act, external reviews provide for greater confidence in the independence of monetary policy and ensure alignment with evolving best practice, particularly given the unprecedented monetary policy response during the COVID-19 period.

**8. *Who are the reviewers and why did you select them?***

- The Treasury reached out to a range of monetary policy experts.
- Securing reviewers with strong credentials is critical to meet the objectives of the review in supporting public accountability and improving the effectiveness of future monetary policy.
- Both reviewers have extensive monetary policy expertise and experience in delivering reviews similar to this.
- Athanasios Orphanides:
  - Governor of the Central Bank of Cyprus (2007- 2012). Cyprus adopted the euro on 1 Jan 2008, after which Dr Orphanides became a member of the Governing Council of the European Central Bank, and was responsible for formulating monetary policy for the euro area (2008-2012).
  - Senior adviser at the board of governors of the Federal Reserve System in the US.

**IN CONFIDENCE**

- PhD in economics from the Massachusetts Institute of Technology.
  - A member of the Shadow Open Market Committee.
  - Dr Orphanides has authored a review of the Reserve Bank of Australia (RBA)'s COVID monetary policy at the effective lower bound which fed into the 2022-23 RBA Review, co-authored a 2022 review of South Africa's experience with inflation targeting over 2007-21, and co-authored a report on options for the European Central Bank's Monetary Policy Strategy Review in 2020.
  - David Archer:
    - Head of Central Banking Studies, Bank for International Settlements (2005-2022).
    - Assistant Governor, Reserve Bank of New Zealand (until 2004), including responsibility for monetary policy analysis and advice, forecasting, and research (1999-2004) and as a member of the Monetary Policy Committee.
- 9. *Will former Monetary Policy Committee members be involved in the review, e.g. the former Governor of the Reserve Bank?***
- The reviewers will invite former Monetary Policy Committee members to be interviewed to share their perspectives on the performance of monetary policy. Participation is voluntary.
- 10. *Why focus on the period 2020–2022? Why not consider the timing and pace of monetary easing from mid–2024?***
- 2020–2022 was the key period of uncertainty and significant monetary policy decisions, including the initial response to the pandemic, signs of economic recovery in late 2020 and into 2021, the emergence of inflationary pressures from 2021, and the beginning of the tightening cycle from late 2022.
- 11. *What delayed the review from starting in September 2025 per the Cabinet paper?***
- The confirmation of reviewers took longer than expected. Part of this was due to the need for the review to fit within the existing busy schedules of candidates.
- 12. *Does Mr Archer's role as a member of the Reserve Bank Staff Superannuation and Provident Fund a conflict of interest?***
- No. The Treasury has advised me that there is no material actual or potential conflict of interest between Mr Archer's role as a reviewer and as a member and trustee of the RBNZ Scheme. The matters covered by the review are separate from the RBNZ Scheme.
  - I am being up-front about Mr Archer's interests in the RBNZ Scheme to be fully transparent.

**IN CONFIDENCE****Annex 2: Documents proposed for release**

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<b>Item</b>	<b>Date</b>	<b>Document Title</b>	<b>Release in full / in part</b>
1.	10 July 2025	Consultation - Letter from the Minister of Finance to the Reserve Bank	Release in full
2.	10 July 2025	Consultation – Draft Terms of Reference	Release in full
3.	24 July 2025	Consultation – Letter from the Reserve Bank to the Minister of Finance	Release in full
4.	20 August 2025	Cabinet Committee Minute – ECO-25-MIN-0127: Independent Review of Monetary Policy	Release in full
5.	20 August 2025	Cabinet Paper – Independent Review of Monetary Policy	Release in part

We also propose to release the final copy of your letter to the Reserve Bank informing it the review has started.

We propose to release the documents above subject to information being withheld under the following section of the Official Information Act 1982 as applicable:

- a. **[38]** - to enable the Crown to negotiate without disadvantage or prejudice.

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# The Treasury

## Independent Review of Monetary Policy Information Release

### February 2026

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<https://treasury.govt.nz/publications/information-release/independent-review-of-monetary-policy>.

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**Hon Nicola Willis**

Minister of Finance  
Minister for Economic Growth  
Minister for Social Investment



10 July 2025

Professor Neil Quigley  
Chair, Reserve Bank Board  
[Neil.Quigley@rbnz.govt.nz](mailto:Neil.Quigley@rbnz.govt.nz)

Christian Hawkesby  
Governor, Reserve Bank  
[Christian.Hawkesby@rbnz.govt.nz](mailto:Christian.Hawkesby@rbnz.govt.nz)

Dear Neil and Christian

**Re: Consultation on an external review of monetary policy**

During the period from 2020 to 2022, there were significant economic challenges caused by the COVID-19 pandemic. In response to these economic challenges, the Monetary Policy Committee (MPC) took unprecedented monetary policy actions.

The Reserve Bank of New Zealand (the Bank) published the Review and Assessment of the Formulation and Implementation of Monetary Policy, which included an assessment of monetary policy performance between 2020 and 2022. Whilst the Bank commissioned independent experts to provide peer review, this review was not independent of the Reserve Bank.

As such, I am considering an external review to provide the Government with an independent perspective on the MPC's performance during 2020 to 2022. This will ensure there is appropriate transparency over the MPC's performance during a period of significant economic challenges, and will help identify lessons for future episodes of instability.

I am considering undertaking the review under section 194 of the Reserve Bank of New Zealand Act 2021. Draft terms of reference for the review are attached. I welcome your views by 28 July 2025.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Nicola Willis'.

Hon Nicola Willis  
**Minister of Finance**

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**IN C O N F I D E N C E****Independent review of the monetary policy response to the COVID-19 pandemic****Draft terms of reference**

1. The Minister of Finance is commissioning an independent review of the monetary policy response to the COVID-19 pandemic (the Review) to support accountability and public confidence in the operational independence of monetary policy and inform the ongoing effectiveness of monetary policy.
2. One part of the Review is conducted under section 194 of the Reserve Bank of New Zealand Act 2021 (the Act). The Monetary Policy Committee (MPC) is a committee of the Reserve Bank under section 97 of the Act. As required under section 194, the Minister has consulted the Reserve Bank on the purpose and nature of this Review and has considered the submissions made by the Reserve Bank on the proposed Review.
3. Another part of the Review will consider whether the MPC and the Treasury were effectively sharing information, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination.

**Background**

4. The Reserve Bank's MPC is required under the Act to formulate monetary policy. The Reserve Bank implements monetary policy formulated by the MPC.
5. During 2020 to 2022, there were significant economic challenges arising from the COVID-19 pandemic. In response, the MPC took unprecedented monetary policy actions. These included reducing the Official Cash Rate (OCR) to 0.25%, providing specific forward guidance about the OCR, and using Additional Monetary Policy (AMP) tools for the first time. The AMP tools used were the Large Scale Asset Purchase (LSAP) programme and the Funding for Lending Programme (FLP).
6. From late 2020 New Zealand's economic recovery was stronger than expected. House prices increased, and from early 2021 consumer price inflation began to rise. From late 2021, the MPC began to increase the OCR in response. Between 2021Q1 and 2023Q1, CPI inflation averaged 5.8%, compared to the midpoint of the MPC's inflation objective of 2.0%. There were also fiscal implications associated with the use of AMP tools. As of the end of April 2025, direct interest rate losses to the Crown from the LSAP programme are estimated to be around \$10.4 billion.
7. In November 2022, the Reserve Bank released its review of the formulation and implementation of monetary policy in the five years ended October 2022, as was required under section 131 of the Act.<sup>1</sup> The Reserve Bank commissioned two external peer reviews of this report.<sup>2</sup>
8. New Zealand's broader response to COVID-19 is being reviewed by the Royal Commission of Inquiry into Lessons Learned from Aotearoa New Zealand's Response to COVID-19 That Should Be Applied in Preparation for a Future Pandemic (the COVID-19 Royal Commission). Decisions taken by the MPC are out of scope of the COVID-19 Royal Commission and instead will be addressed in this Review.<sup>3</sup>

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<sup>1</sup> <https://www.rbnz.govt.nz/hub/publications/monetary-policy-statement/rafimp>

<sup>2</sup> <https://www.rbnz.govt.nz/monetary-policy/about-monetary-policy/rafimp/a-summary-of-rafimp>

<sup>3</sup> Clause 6(1) of Schedule 2 of the Royal Commission of Inquiry (COVID-19 Lessons) Amendment Order (No 2) 2024.

**IN CONFIDENCE****Purpose and nature of the Review**

9. The purpose of the Review is to:
  - 9.1. support accountability and public confidence in the operational independence of monetary policy, and
  - 9.2. improve the ongoing effectiveness of monetary policy.
10. The Review will:
  - 10.1. assess the performance of the monetary policy response to the COVID-19 pandemic against the objectives of monetary policy that applied at the time, having regard to what was known and could reasonably have been known in the circumstances, and relevant decisions made by comparable central banks, and
  - 10.2. make recommendations to improve the monetary policy response to future shocks, including commentary around potential changes to the frameworks, having regard to the benefits of hindsight.
11. The focus of the Review is on decisions by the MPC, and analysis provided by the Reserve Bank to support those decisions, during the period 1 January 2020 through 31 December 2022,<sup>4</sup> and preparations from 1 April 2020 for the event of reaching the effective lower bound on interest rates.<sup>5</sup>
12. The following matters are in scope of the Review:
  - 12.1. the information that was provided to the MPC to support their decision-making, including the Reserve Bank's forecasts
  - 12.2. the MPC's decision-making strategy, processes and treatment of uncertainty, including its processes set out in the MPC Charter<sup>6</sup>
  - 12.3. the MPC's communications and forward guidance
  - 12.4. the MPC's and the Reserve Bank's choices about the use and design of monetary policy tools, in particular:
    - 12.4.1. whether the stimulus provided by the LSAP justified the risks to the public balance sheet and other costs, and
    - 12.4.2. whether the stimulus provided by the Funding for Lending Programme justified the risks to the public balance sheet and other costs.
  - 12.5. whether the MPC and the Treasury were effectively sharing information, whether the MPC appropriately calibrated monetary policy to the fiscal stance, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination

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<sup>4</sup> The period runs from 1 January 2020, around when COVID-19 began to be recognised as an economic risk, through to the end of 2022, by which time most COVID-19 restrictions had ended and the MPC had responded to elevated inflation.

<sup>5</sup> The period extends back to the MPC's establishment on 1 April 2019.

<sup>6</sup> Refer <https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/monetary-policy/about-monetary-policy/december-2023-monetary-policy-committee-charter.pdf>

**IN CONFIDENCE**

- 12.6. the MPC's consideration of the interaction of monetary policy with fiscal and macroprudential policy, and the impact on asset and house prices, and
- 12.7. any other matters necessary to meet the purpose of the Review.
13. The following matters are out of scope of the Review:
  - 13.1. the Reserve Bank's functions aside from monetary policy. However, areas of overlap between monetary policy and the Reserve Bank's other functions are in scope, such as interactions between monetary policy and macroprudential policy.
  - 13.2. the Reserve Bank Board's monitoring of the performance of the MPC and individual MPC members
  - 13.3. the fiscal response to the COVID-19 pandemic as this was not a decision by the MPC or the Reserve Bank
  - 13.4. the Government's decision to indemnify the Reserve Bank in respect of any financial losses associated with the LSAP programme as this was not a decision by the MPC or the Reserve Bank.
14. The Review will operate as follows:
  - 14.1. The Review is to assess the collective decisions of the MPC as a whole, not individual MPC members.
  - 14.2. The Review will draw on:
    - 14.2.1. written material the MPC considered during the period under review
    - 14.2.2. previous reviews, such as Reserve Bank's 2022 Review and Assessment of the Formulation and Implementation of Monetary Policy<sup>7</sup>
    - 14.2.3. public commentary on monetary policy
    - 14.2.4. interviews with people who were MPC members for a year or more during the period under review,<sup>8</sup> and
    - 14.2.5. any other information or people the reviewers consider, at their discretion, would help the reviewers make their assessment based on these terms of reference.
  - 14.3. It is not expected that the reviewers will seek public submissions.
15. The reviewers will provide a draft report for comment in December 2025 to the MPC members from the period under review (including those on the MPC for less than a year), the Treasury, and the Reserve Bank. The reviewers will provide a final report in March 2026. The report is to be no longer than 40 pages.

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<sup>7</sup> <https://www.rbnz.govt.nz/monetary-policy/about-monetary-policy/rafimp>

<sup>8</sup> The following individuals were MPC members for a year or more during the period under review: Adrian Orr, Geoff Bascand, Christian Hawkesby, Yuong Ha, Bob Buckle, Peter Harris, and Caroline Saunders.

# The Treasury

## Independent Review of Monetary Policy Information Release

February 2026

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IN CONFIDENCE



24 July 2025

Hon Nicola Willis  
Minister of Finance  
Parliament  
Wellington

Dear Minister Willis

Thank you for your letter received 10 July seeking our views on a proposed external review of monetary policy covering the 2020 to 2022 period.

As noted in your letter, the Reserve Bank published a Review and Assessment of the Formulation and Implementation of Monetary Policy in November 2022, largely covering this period. This report was peer reviewed by two international experts. The Bank has made significant progress in implementing the recommendations of that review.

The Bank will fully cooperate with the external review if you choose to proceed. The Bank has two points of feedback on the Terms of Reference of the proposed Review.

Section 10.2 of the terms of reference suggests that the Review “includes commentary around potential changes to the frameworks”. The MPC Remit is an important component of the monetary policy framework. While this can be reviewed at any time, there are benefits to stability in the objectives of monetary policy. We suggest that any recommendations related to the objectives of monetary policy would be best addressed as part of the 5-yearly formal review of the MPC Remit, which is due by mid-2028.

Section 12.4 of the terms of reference includes an assessment of whether the stimulus provided by the LSAP and FLP programmes justified the risks to the public balance sheet and other costs. We note that this frames the benefits and costs associated with these tools in narrow terms and should be widened to capture the impact LSAPs played in stabilising markets, and their broader fiscal benefits through lowering Crown borrowing costs and increasing tax revenue. This could be achieved by amending 12.4.1 and 12.4.2 as below:

- 12.4.1 Whether the benefits provided by the LSAP programme justified the risks and costs, and
- 12.4.2 Whether the benefits provided by the Funding for Lending Programme justified the risks and costs.

Yours sincerely



Christian Hawkesby  
Governor

# The Treasury

## Independent Review of Monetary Policy Information Release

### February 2026

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#### Cabinet Document Details

Title: **Cabinet Minute: ECO-25-MIN-0127 Independent Review of Monetary Policy**

Date: **20 August 2025**

Creator: Cabinet Office

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ECO-25-MIN-0127



# Cabinet Economic Policy Committee

## Minute of Decision

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### Independent Review of Monetary Policy

**Portfolio**                      **Finance**

On 20 August 2025, the Cabinet Economic Policy Committee:

- 1        **agreed** to establish an independent review of the monetary policy response to the COVID-19 pandemic, mainly under section 194 of the Reserve Bank of New Zealand Act 2021, to:
  - 1.1      support accountability and public confidence in the operational independence of monetary policy;
  - 1.2      inform the ongoing effectiveness of monetary policy;
  
- 2        **agreed** that the terms of reference for the review (attached to the paper under ECO-25-SUB-0127) focus on decisions taken by the Monetary Policy Committee (MPC), and analysis provided by the Reserve Bank to support those decisions, during the period 1 January 2020 through 31 December 2022, and preparations from 1 April 2019 for the event of reaching the effective lower bound on interest rates, including:
  - 2.1      the information that was provided to the MPC to support their decision-making, including the Reserve Bank's forecasts;
  - 2.2      the MPC's decision-making strategy, processes and treatment of uncertainty, including its processes set out in the MPC Charter;
  - 2.3      the MPC's communications and forward guidance;
  - 2.4      the MPC's and the Reserve Bank's choices about the use and design of monetary policy tools, in particular whether the benefits provided by the Large Scale Asset Purchase programme and the Funding for Lending programme justified the risks and costs;
  - 2.5      whether the MPC and the Treasury were effectively sharing information, whether the MPC appropriately calibrated monetary policy to the fiscal stance, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination;
  - 2.6      the MPC's consideration of the interaction of monetary policy with fiscal and macroprudential policy, and the impact on asset and house prices;
  - 2.7      any other matters necessary to meet the purpose of the review;

IN CONFIDENCE

**IN CONFIDENCE****ECO-25-MIN-0127**

- 3 **authorised** the Minister of Finance, in consultation with the Associate Ministers of Finance, to make changes to the terms of reference, including the scope of the review and the deadlines for the draft and final review reports, in line with the policy intent of the review, as set out in the paper under ECO-25-SUB-0127;
- 4 **authorised** the Minister of Finance, in consultation with the Associate Ministers of Finance, to approve the selection of two monetary policy experts to conduct the review;
- 5 **invited** the Minister of Finance to report back to Cabinet on the findings and recommendations of the review.

Rachel Clarke  
Committee Secretary

---

**Present:**

Hon David Seymour  
Rt Hon Winston Peters  
Hon Nicola Willis (Chair)  
Hon Chris Bishop  
Hon Brooke van Velden  
Hon Shane Jones  
Hon Paul Goldsmith  
Hon Louise Upston  
Hon Tama Potaka  
Hon Penny Simmonds  
Hon Andrew Hoggard  
Hon Nicola Grigg  
Hon Mark Patterson  
Hon James Meager  
Hon Scott Simpson  
Simon Court MP

**Officials present from:**

Office of the Prime Minister  
Office of Hon Scott Simpson  
Officials Committee for ECO

# The Treasury

## Independent Review of Monetary Policy Information Release

### February 2026

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#### Cabinet Document Details

Title: **Cabinet Paper: ECO-25-SUB-0127 Independent Review of Monetary Policy**

Date: **20 August 2025**

Creator: Office of the Minister of Finance

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Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to sections of the Act under which information has been withheld:

[38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice

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**I N C O N F I D E N C E****In Confidence**

Office of the Minister of Finance

Cabinet Economic Policy Committee

**Independent review of monetary policy****Proposal**

- 1 This paper seeks agreement to establish an independent review of the monetary policy response to the COVID-19 pandemic. The purpose of the review is to support accountability and public confidence in the operational independence of monetary policy and to inform the ongoing effectiveness of monetary policy.

**Relation to government priorities**

- 2 An independent review of the monetary policy response to the COVID-19 pandemic supports the Government's priority to create a stable and predictable economic environment. It builds on actions the Government has already taken to support macroeconomic stability, including passing legislation to return the Reserve Bank to a single focus on price stability, constraining growth in government spending, and reducing costs on business.

**Executive summary**

- 3 I propose engaging two monetary policy experts to provide an independent perspective on the Monetary Policy Committee's (MPC) performance during 2020 to 2022 and to make recommendations to improve the monetary policy response to future shocks.
- 4 The MPC took unprecedented actions in response to significant economic challenges during the COVID-19 pandemic. From early 2021, inflation began to rise and was persistently above the MPC's target until the September 2024 quarter.
- 5 I expect the review to be completed by March 2026. I will update Cabinet on the findings and recommendations of the review when available.

**Background**

- 6 The COVID-19 pandemic caused significant economic challenges over the 2020-22 period. In response to these economic challenges, the MPC took unprecedented monetary policy actions, including reducing the OCR to 0.25%, with specific forward guidance it would remain at that level for 12 months, and using Additional Monetary Policy tools for the first time, including the Large Scale Asset Purchase (LSAP) programme and the Funding for Lending programme (FLP).
- 7 From early 2021, inflation began to rise and was persistently above the MPC's inflation target until the September 2024 quarter. Although the rise in inflation partly reflected supply-side factors (disruptions associated with COVID-19 and Russia's invasion of Ukraine), estimates by the Treasury indicate that the rise in inflation can also be attributed to strong aggregate demand. This outcome was observed in most advanced

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economies and in part reflected a deliberate strategy to minimise the likelihood of worst-case scenarios for the economy, given significant uncertainty about the impacts of COVID-19.

- 8 The LSAP programme has resulted in significant direct losses (totalling around \$10.6 billion at the end of June 2025) to the Reserve Bank. While these losses have been indemnified by the Crown, the Reserve Bank is included in the consolidated financial statements of Government. There will also have been indirect fiscal impacts (e.g., higher tax revenue) as a result of the MPC providing additional monetary stimulus, which may have offset these costs to some extent.
- 9 In 2022 the Reserve Bank published its own review of the formulation and implementation of monetary policy, which included an assessment of monetary policy performance between 2020 and 2022. While the review was peer reviewed by two independent experts, the review itself was not independent of the Reserve Bank.
- 10 New Zealand's broader response to COVID-19 is being reviewed by the Royal Commission of Inquiry into Lessons Learned from Aotearoa New Zealand's Response to COVID-19 That Should Be Applied in Preparation for a Future Pandemic (the COVID-19 Royal Commission). Decisions taken by the MPC are out of scope of the COVID-19 Royal Commission and instead will be addressed in this review.

**Form of the review**

- 11 The main part of the review will be conducted under section 194 of the Reserve Bank of New Zealand Act 2021 (the Act). Under section 194 of the Act, as Minister of Finance, I may review the operations and performance of the Reserve Bank at any time (the MPC being a committee of the Reserve Bank). Under section 194, the Reserve Bank must take all reasonable steps to co-operate with the review. The review will cover some matters beyond the operations and performance of the Reserve Bank, for example whether the Treasury was effectively sharing information with the MPC. For these matters the review will be non-statutory in nature.
- 12 I have consulted the Reserve Bank on the purpose and nature of the review, and I have considered their submission, as required under section 194.

**Terms of reference**

- 13 Proposed draft terms of reference for the review are attached.
- 14 The terms of reference focus on decisions by the MPC, and analysis provided by the Reserve Bank to support those decisions, during the period 1 January 2020 through 31 December 2022, and preparations from 1 April 2019 for the event of reaching the effective lower bound on interest rates.

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- 15 The review includes:
- 15.1 the information that was provided to the MPC to support their decision-making, including the Reserve Bank's forecasts
  - 15.2 the MPC's decision-making strategy, processes and treatment of uncertainty, including its processes set out in the MPC Charter
  - 15.3 the MPC's communications and forward guidance
  - 15.4 the MPC's and the Reserve Bank's choices about the use and design of monetary policy tools, in particular whether the benefits provided by the LSAP and FLP justified the risks and costs
  - 15.5 whether the MPC and the Treasury were effectively sharing information, whether the MPC appropriately calibrated monetary policy to the fiscal stance, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination
  - 15.6 the MPC's consideration of the interaction of monetary policy with fiscal and macroprudential policy, and the impact on asset and house prices, and
  - 15.7 any other matters necessary to meet the purpose of the review.
- 16 Amendments to the terms of reference may be required following consultation with the preferred reviewers. I therefore seek Cabinet's authorisation to make changes to the terms of reference, in consultation with the Associate Ministers of Finance, in line with the policy intent of the review as set out in this paper.

**Selection of reviewers**

- 17 I intend to select two monetary policy experts to conduct the review. I will seek an internationally regarded monetary policy expert to lead the review, supported by a New Zealand-based monetary policy expert.
- 18 I will confirm the selection of reviewers in consultation with the Associate Ministers of Finance. The Treasury is currently contacting potential reviewers to gauge their interest and availability.

**Timeline**

- 19 I will report to Cabinet on the findings of the review and the Government's response.
- 20 The table below sets out key indicative milestones for the review. These timelines are ambitious but seek to keep the review targeted and support the Reserve Bank to move forward from the COVID-19 period taking account of the review's findings and recommendations.
- 21 Amendments to the review timeline may be required following consultation with the preferred reviewers. I therefore seek Cabinet's authorisation to make changes to the timing of the review in consultation with the Associate Ministers of Finance.

**I N C O N F I D E N C E**

<b>Milestone</b>	<b>Timeframe</b>
Substantive review process underway	From September-December 2025
Draft report for consultation with the Reserve Bank, the Treasury, the Minister of Finance, and other affected parties (e.g., former MPC members)	December 2025
Report finalised	March 2026

**Cost-of-living implications**

- 22 An independent review of the monetary policy response to the COVID-19 pandemic promotes low and stable inflation. Macroeconomic stability – the predictability in variables including real output growth, inflation, and the current account deficit – can support resource allocation choices, investment, and economic growth. In turn, this protects New Zealanders’ living standards from the negative effects of economic volatility such as periods of high inflation.

**Financial implications**

- 23 The review will be funded from within baselines, subject to approval of an expense transfer through the October Baseline Update. The total cost of the review will depend on the outcome of negotiations with the reviewers but could be up to <sup>[38]</sup> in total. The funding is intended to cover the fees and expenses of the reviewers, any additional external secretariat services, and independent external legal counsel to support the reviewers.
- 24 Any other additional costs to the Treasury or the Reserve Bank are expected to be managed within existing funding.

**Legislative implications**

- 25 There are no direct legislative implications from the establishment of the review. I will report back to Cabinet on any legislative implications arising from the review’s recommendations.

**Use of external resources**

- 26 This paper proposes the selection of two monetary policy experts to conduct the review. External-to-government reviewers are necessary for the review to be seen as impartial and objective.
- 27 Fees paid to the independent reviewers will be included in reporting on the Treasury’s use of contractors and consultants.

**Consultation**

- 28 I have consulted the Reserve Bank on the purpose and nature of the review and have considered the submission made by the Reserve Bank, in line with section 194 of the Reserve Bank Act. I have adopted the Reserve Bank’s suggestion to broaden the review’s assessment of the cost and benefits LSAP and FLP programmes. I also acknowledge the Reserve Bank’s comment that the objectives of monetary policy would be best addressed as part of the 5-yearly formal review of the monetary policy

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committee's remit, which is due by mid-2028. I will consider the timing of any monetary policy remit changes at the conclusion of the review.

- 29 I do not intend for public consultation to be undertaken as part of the review.

**Communications**

- 30 I intend to announce the review once the terms of reference and reviewers are finalised.

**Proactive release**

- 31 I intend to release this Cabinet paper in part within 30 business days of decisions being confirmed by Cabinet.

**Recommendations**

The Minister of Finance recommends that the Committee:

- 1 agree to establish an independent review of the monetary policy response to the COVID-19 pandemic, mainly under section 194 of the Reserve Bank of New Zealand Act 2021, to support accountability and public confidence in the operational independence of monetary policy and inform the ongoing effectiveness of monetary policy;
- 2 agree that the terms of reference for the review focus on decisions taken by the MPC, and analysis provided by the Reserve Bank to support those decisions, during the period 1 January 2020 through 31 December 2022, and preparations from 1 April 2019 for the event of reaching the effective lower bound on interest rates, including:
  - 2.1 the information that was provided to the MPC to support their decision-making, including the Reserve Bank's forecasts
  - 2.2 the MPC's decision-making strategy, processes and treatment of uncertainty, including its processes set out in the MPC Charter
  - 2.3 the MPC's communications and forward guidance
  - 2.4 the MPC's and the Reserve Bank's choices about the use and design of monetary policy tools, in particular whether the benefits provided by the LSAP and FLP justified the risks and costs
  - 2.5 whether the MPC and the Treasury were effectively sharing information, whether the MPC appropriately calibrated monetary policy to the fiscal stance, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination
  - 2.6 the MPC's consideration of the interaction of monetary policy with fiscal and macroprudential policy, and the impact on asset and house prices, and
  - 2.7 any other matters necessary to meet the purpose of the review;
- 3 authorise the Minister of Finance, in consultation with the Associate Ministers of Finance, to make changes to the terms of reference, including the scope of the review

**I N C O N F I D E N C E**

and the deadlines for the draft and final review reports, in line with the policy intent of the review as set out in this paper;

- 4 authorise the Minister of Finance, in consultation with the Associate Ministers of Finance, to approve the selection of two monetary policy experts to conduct the review;
- 5 invite the Minister of Finance to report to Cabinet on the findings and recommendations of the review.

Hon Nicola Willis  
**Minister of Finance**

## Hon Nicola Willis

Minister of Finance  
Minister for Economic Growth  
Minister for Social Investment



Mr Rodger Finlay  
Chair, Reserve Bank Board  
[Rodger.Finlay@rbnz.govt.nz](mailto:Rodger.Finlay@rbnz.govt.nz)

Dr Anna Breman  
Governor, Reserve Bank  
[anna.breman@rbnz.govt.nz](mailto:anna.breman@rbnz.govt.nz)

Dear Rodger and Anna

### Confirming the independent review of monetary policy

I am writing to inform you that the Government has finalised the establishment of an independent review of the monetary policy response to the COVID-19 pandemic (the review), primarily under section 194 of the Reserve Bank of New Zealand Act 2021.

Independent monetary policy is a central pillar of New Zealand's macroeconomic frameworks. The review strengthens this by supporting accountability and public confidence in the operational independence of monetary policy and informing its ongoing effectiveness.

The review will be conducted by Athanasios Orphanides and David Archer. Dr Orphanides is a former central bank Governor and has experience reviewing monetary policy and strategy. Mr Archer is a former Assistant Governor at the Reserve Bank of New Zealand and a former senior official at the Bank for International Settlements.

The terms of reference for the review are attached. I wish to thank the Reserve Bank for its feedback on the draft terms of reference. I have adopted the Reserve Bank's suggestion to broaden the review's assessment of the costs and benefits of alternative monetary policy.

The review is expected to be completed in August 2026. The Reserve Bank will have an opportunity to comment on the review's draft report before it is finalised.

Thank you for your ongoing cooperation and engagement with the review.

Yours sincerely

Hon Nicola Willis  
**Minister of Finance**

---

**From:** Hamish Dick <Hamish.Dick@parliament.govt.nz>  
**Sent:** Wednesday, 25 June 2025 11:05 am  
**To:** Sam Thornton [TSY]  
**Cc:** Ben Gaukrodger [TSY]  
**Subject:** RE: Revised draft terms of reference

Perfect, thanks!

---

**From:** Sam Thornton [TSY] <Sam.Thornton@treasury.govt.nz>  
**Sent:** Wednesday, 25 June 2025 10:55 AM  
**To:** Hamish Dick <Hamish.Dick@parliament.govt.nz>  
**Cc:** Ben Gaukrodger [TSY] <Ben.Gaukrodger@treasury.govt.nz>  
**Subject:** RE: Revised draft terms of reference

Thanks Hamish.

The main content in deleted para 13 is in new para 10. I remove the “benefit of hindsight” language following internal feedback that it is an overused phrase and is self-evident in respect of recommendations. However, I will think about putting it back in because it helps emphasise that we’re interested in learning lessons from the COVID experience.

On para 15, good point! Unfortunately I don’t think the Doctor has the necessary monetary policy credentials.

We’ll aim to get the TR to you tomorrow. I’ll keep you posted.

Cheers  
Sam

---

**From:** Hamish Dick <[Hamish.Dick@parliament.govt.nz](mailto:Hamish.Dick@parliament.govt.nz)>  
**Sent:** Wednesday, 25 June 2025 10:41 am  
**To:** Sam Thornton [TSY] <[Sam.Thornton@treasury.govt.nz](mailto:Sam.Thornton@treasury.govt.nz)>  
**Cc:** Ben Gaukrodger [TSY] <[Ben.Gaukrodger@treasury.govt.nz](mailto:Ben.Gaukrodger@treasury.govt.nz)>  
**Subject:** RE: Revised draft terms of reference

Looks good, thanks Sam. Grant doesn’t have any comments.

**The deleted para 13** – What’s the rationale behind deleting this para? Things like “The reviewer may apply the benefit of hindsight” seem pretty sensible to me.

**Para 15** – will the reviewer be the Doctor? (I think you mean February 2026!)

Much appreciated,

Hamish

---

**From:** Sam Thornton [TSY] <[Sam.Thornton@treasury.govt.nz](mailto:Sam.Thornton@treasury.govt.nz)>  
**Sent:** Wednesday, 25 June 2025 9:24 AM  
**To:** Hamish Dick <[Hamish.Dick@parliament.govt.nz](mailto:Hamish.Dick@parliament.govt.nz)>  
**Cc:** Ben Gaukrodger [TSY] <[Ben.Gaukrodger@treasury.govt.nz](mailto:Ben.Gaukrodger@treasury.govt.nz)>  
**Subject:** Revised draft terms of reference

[IN-CONFIDENCE]

Kia ora Hamish

I have uploaded revised draft terms of reference for the independent review of monetary policy to the “TSY Budget Sensitive – Macro” Teams channel (this is the same channel used for sharing FSR drafts).

 [REVISED draft terms of reference.docx](#)

I have left in the tracked changes so you can easily see updates made to the original.

I’m available any time before 2pm today if you’d like me to briefly talk through the changes and how they correspond to the Minister’s feedback.

Regards  
Sam



**Sam Thornton | Kaitātari Matua – Senior Analyst | Te Tai Ōhanga – The Treasury**

Tel: s9(2)(k) | Email: [sam.thornton@treasury.govt.nz](mailto:sam.thornton@treasury.govt.nz)

Visit us online at <https://treasury.govt.nz/> and follow us on [Twitter](#), [LinkedIn](#) and [Instagram](#)

I work irregular hours:

Mon	Tue	Wed	Thu	Fri
7.30-2	8.30-5	7.30-2	8.30-5	9-3.30 or not working (alternating fortnightly)

[SEEMail]

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## IN CONFIDENCE

# Independent review of the monetary policy response to the COVID-19 pandemic

## Draft terms of reference

1. The Minister of Finance is commissioning an independent review of the monetary policy response to the COVID-19 pandemic (the review) to support accountability and public confidence in the operational independence of monetary policy and inform the ongoing effectiveness of monetary policy ~~responses to shocks~~.
2. ~~One part of the~~ review is conducted under section 194 of the Reserve Bank of New Zealand Act 2021 (the Act). ~~Under section 194, the Minister of Finance may review the operations and performance of the Reserve Bank at any time.~~ The Monetary Policy Committee (MPC) is a committee of the Reserve Bank under section 97 of the Act. As required under section 194, the Minister has consulted the Reserve Bank on the purpose and nature of this review and has considered the submissions made by the Reserve Bank on the proposed review.
- 2-3. Another part of the review will consider whether the MPC and the Treasury were effectively sharing information, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination.

### Background

- 3-4. The Reserve Bank's MPC is required under the Act to formulate monetary policy. The Reserve Bank ~~has the function of implementing the~~ monetary policy formulated by the MPC.
- 4-5. During 2020 to 2022, there were significant economic challenges arising from the COVID-19 pandemic. In response, the MPC took unprecedented monetary policy actions. These included reducing the Official Cash Rate (OCR) to 0.25%, providing specific forward guidance about the OCR, and using Additional Monetary Policy (AMP) tools for the first time. The AMP tools used were the Large Scale Asset Purchase (LSAP) programme and the Funding for Lending Programme (FLP).
- 5-6. From late 2020 New Zealand's economic recovery was stronger than expected. House prices increased, and from early 2021 consumer price inflation began to rise. From late 2021, the MPC began to increase the OCR in response. Between 2021Q1 and 2023Q1, CPI inflation averaged 5.8%, compared to the midpoint of the MPC's inflation objective of 2.0%. There were also ~~financial-fiscal implications~~risks associated with the use of AMP tools. As of the end of April 2025, direct interest rate losses to the Crown from ~~on~~ the LSAP programme are estimated to be around \$10.4 billion.
- 6-7. In November 2022, the Reserve Bank released its review of the formulation and implementation of monetary policy in the five years ended October 2022, as was required under section 131 of the Act.<sup>1</sup> The Reserve Bank commissioned two external peer reviews of this report.<sup>2</sup>
- 7-8. New Zealand's broader response to COVID-19 is being reviewed by the Royal Commission of Inquiry into Lessons Learned from Aotearoa New Zealand's Response to COVID-19 That Should Be Applied in Preparation for a Future Pandemic (the

<sup>1</sup> <https://www.rbnz.govt.nz/hub/publications/monetary-policy-statement/rafimp>

<sup>2</sup> <https://www.rbnz.govt.nz/monetary-policy/about-monetary-policy/rafimp/a-summary-of-rafimp>

**I N C O N F I D E N C E**

COVID-19 Royal Commission). Decisions taken by the MPC are out of scope of the COVID-19 Royal Commission and instead will be addressed in this review.<sup>3</sup>

**Purpose and nature of the review**

~~8-9.~~ The purpose of the review is to:

~~8.1.9.1.~~ support accountability and public confidence in the operational independence of monetary policy~~assess the monetary policy response to the COVID-19 pandemic,~~ and

~~8.2.9.2.~~ make recommendations to improve the ongoing effectiveness of monetary policy~~response to future shocks.~~

10. The review will:

10.1. assess the performance of the monetary policy response to the COVID-19 pandemic against the objectives of monetary policy that applied at the time, having regard to what was known and could reasonably have been known in the circumstances, and relevant decisions made by comparable central banks

10.2. make recommendations to improve the monetary policy response to future shocks, including commentary around potential changes to the frameworks.

~~9-11.~~ The focus of the review is on decisions by the MPC, and analysis provided by the Reserve Bank to support those decisions, during the period 1 January 2020 through 31 December 2022,<sup>4</sup> and preparations from 1 April 2020 for the event of reaching the effective lower bound on interest rates.<sup>5</sup>

~~10-12.~~ The following matters are review will in scope of the review~~assess:~~

~~10.1.12.1.~~ the information that was provided to the MPC to support their decision-making, including the Reserve Bank's forecasts

~~10.2.12.2.~~ the MPC's decision-making strategy, processes and treatment of uncertainty, including its processes set out in the MPC Charter<sup>6</sup>

~~10.3.12.3.~~ the MPC's communications and forward guidance

12.4. the MPC's and the Reserve Bank's choices about the use and design of monetary policy tools, including in particular:

12.4.1. but not limited to its consideration of the effectiveness and design of the LSAP programme and risks to the public balance sheet whether the stimulus provided by the LSAP justified the risks to the public balance sheet and other costs, and

<sup>3</sup> Clause 6(1) of Schedule 2 of the Royal Commission of Inquiry (COVID-19 Lessons) Amendment Order (No 2) 2024.

<sup>4</sup> The period runs from 1 January 2020, around when COVID-19 began to be recognised as an economic risk, through to the end of 2022, by which time most COVID-19 restrictions had ended and the MPC had responded to elevated inflation.

<sup>5</sup> The period extends back to the MPC's establishment on 1 April 2019.

<sup>6</sup> Refer <https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/monetary-policy/about-monetary-policy/december-2023-monetary-policy-committee-charter.pdf>

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~~10.3.1.12.4.2.~~ whether the stimulus provided by the Funding for Lending Programme justified the risks to the public balance sheet and other costs.

~~12.5.~~ the whether the MPC and the Treasury were effectively sharing information, whether the MPC appropriately calibrated monetary policy to the fiscal stance, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination.

~~10.4.12.6.~~ the MPC's consideration of the interaction of monetary policy with fiscal and macroprudential policy, and and the impact on asset and house prices

~~10.5.12.7.~~ any other matters necessary to meet the purpose of the review ~~er considers relevant.~~

~~11.13.~~ The following matters are out of scope of the review:

~~11.1.13.1.~~ The Reserve Bank's functions aside from monetary policy. However, areas of overlap between monetary policy and the Reserve Bank's other functions are in scope, such as interactions between monetary policy and macroprudential policy.

~~11.2.~~ The Treasury Observer's role, functions and actions.<sup>7</sup> The reviewer may consider whether the MPC and Reserve Bank had appropriate regard to the information provided by the Treasury Observer, and whether the information provided by the Treasury Observer adequately represented the stance of fiscal policy. The fiscal response to the COVID-19 pandemic as this was not a decision by the MPC or the Reserve Bank.

~~11.3.13.2.~~ The Government's decision to indemnify the Reserve Bank in respect of any financial losses associated with the LSAP programme as this was not a decision by the MPC or the Reserve Bank.

~~13.3.~~ The Reserve Bank Board's monitoring of the performance of the MPC and individual MPC members.

~~12.14.~~ The review will operate as follows:

~~12.1.14.1.~~ The review is to assess the collective decisions of the MPC as a whole, not individual MPC members.

~~12.2.14.2.~~ The review will draw on:

~~12.2.1.14.2.1.~~ written material the MPC considered during the period under review

~~12.2.2.14.2.2.~~ previous reviews, such as Reserve Bank's 2022 Review and Assessment of the Formulation and Implementation of Monetary Policy<sup>8</sup>

~~12.2.3.14.2.3.~~ public commentary on monetary policy

<sup>7</sup>~~The Treasury Observer is not a member of the MPC or part of the Reserve Bank so is not within the scope of a review under section 194 of the Act. Under clause 30, Schedule 3 of the Act, the Secretary to the Treasury or their delegate as Treasury Observer has the same rights to attend and speak at MPC meetings but has no right to vote on any question before the MPC and is not subject to the duties that apply to members. The Treasury Observer functions are listed under clause 33, Schedule 3 of the Act.~~

<sup>8</sup> <https://www.rbnz.govt.nz/monetary-policy/about-monetary-policy/rafimp>

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~~12.2.4.~~14.2.4. interviews with people who were MPC members for a year or more during the period under review,<sup>9</sup> and

~~12.2.5.~~14.2.5. any other information or people the reviewer considers, at their discretion, would help the reviewer make their assessment based on these terms of reference.

~~12.3.~~14.3. It is not expected that the reviewer will seek public submissions.

~~13. The assessment of the monetary policy response to the COVID-19 pandemic will be based on how well decision-making supported the objectives of monetary policy that applied at the time. In addition, the review should have regard to New Zealand's circumstances, what was known at the time, and relevant decisions made by comparable central banks. When making recommendations, the reviewer may apply the benefit of hindsight.~~

~~14.~~15. The reviewer will provide a draft report for comment in ~~early August~~December 2025 to the MPC members from the period under review (including those on the MPC for less than a year), the Treasury, and the Reserve Bank. The reviewer will provide a final report by ~~March 23 September~~2026. The report is to be no longer than 40 pages.

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<sup>9</sup> The following individuals were MPC members for a year or more during the period under review: Adrian Orr, Geoff Bascand, Christian Hawkesby, Yuong Ha, Bob Buckle, Peter Harris, and Caroline Saunders.

---

**From:** Hamish Dick <Hamish.Dick@parliament.govt.nz>  
**Sent:** Thursday, 10 July 2025 1:40 pm  
**To:** Cindy Zhu [TSY]; Sam Thornton [TSY]; Ben Gaukrodger [TSY]  
**Cc:** Jean Le Roux [TSY]; Aroha Leighton [TSY]; Roshni Vallabh [TSY]; ^ s9(2)(a)  
**Subject:** RE: TSY BAG: Treasury Report T2025/1665:Independent review of monetary policy: revised terms of reference and list of potential reviewers

Hi again,

In addition to the below:

- The “tick” is next to s9(2)(a) name.
- The Minister has additionally indicated that she would be comfortable with:
  - s9(2)(a)
  - Renee Fry-McKibbin
  - Andrew Haldane

Thanks,

Hamish

---

**From:** Hamish Dick  
**Sent:** Thursday, 10 July 2025 9:31 AM  
**To:** Cindy Zhu [TSY] <Cindy.Zhu@treasury.govt.nz>; Sam Thornton [TSY] <Sam.Thornton@treasury.govt.nz>; Ben Gaukrodger [TSY] <Ben.Gaukrodger@treasury.govt.nz>  
**Cc:** Jean Le Roux [TSY] <Jean.LeRoux@treasury.govt.nz>; Aroha Leighton [TSY] <Aroha.Leighton@treasury.govt.nz>; Roshni Vallabh [TSY] <Roshni.Vallabh@treasury.govt.nz>; s9(2)(a)  
**Subject:** RE: TSY BAG: Treasury Report T2025/1665:Independent review of monetary policy: revised terms of reference and list of potential reviewers

Good morning,

Thanks for your patience on this one.

I’ve attached the signed report. A couple of things to note:

- The Minister has agreed to undertake consultation on the Cabinet paper, terms of reference and list of potential reviewers. She has asked that potential reviewers are contacted only after this consultation has taken place.
- I’ll clarify with the Minister whether the tick on page 17 relates to s9(2)(a).
- She hasn’t ticked all that many names. Hopefully this is okay. We can reassess down the line if none of these reviewers are available.
- The Minister has signed the letter to the Chair and the Governor. I note this was seeking feedback by 11 July (i.e., tomorrow). What new date would you like us to put on this letter?

As soon I can get some clarity on the s9(2)(a) question, we’ll circulate the papers for consultation. Ideally, we’ll provide 10 working days for this – does that work for you?

Many thanks,

Hamish

---

**From:** Cindy Zhu [TSY] <[Cindy.Zhu@treasury.govt.nz](mailto:Cindy.Zhu@treasury.govt.nz)>

**Sent:** Thursday, 26 June 2025 2:03 PM

**To:** @MOffice [TSY] <[MOffice@treasury.govt.nz](mailto:MOffice@treasury.govt.nz)>

**Cc:** Jean Le Roux [TSY] <[Jean.LeRoux@treasury.govt.nz](mailto:Jean.LeRoux@treasury.govt.nz)>; Ben Gaukrodger [TSY] <[Ben.Gaukrodger@treasury.govt.nz](mailto:Ben.Gaukrodger@treasury.govt.nz)>; Hamish Dick <[Hamish.Dick@parliament.govt.nz](mailto:Hamish.Dick@parliament.govt.nz)>; Aroha Leighton [TSY] <[Aroha.Leighton@treasury.govt.nz](mailto:Aroha.Leighton@treasury.govt.nz)>; Sam Thornton [TSY] <[Sam.Thornton@treasury.govt.nz](mailto:Sam.Thornton@treasury.govt.nz)>; Roshni Vallabh [TSY] <[Roshni.Vallabh@treasury.govt.nz](mailto:Roshni.Vallabh@treasury.govt.nz)>

**Subject:** TSY BAG: Treasury Report T2025/1665:Independent review of monetary policy: revised terms of reference and list of potential reviewers

[IN-CONFIDENCE]

Kia ora,

Report reference number and title:	Treasury Report T2025/1665:Independent review of monetary policy: revised terms of reference and list of potential reviewers
From Team:	Macroeconomic & Fiscal Policy
For Minister:	Minister of Finance
For Secondee(s):	Hamish Dick
Teams folder:	Daily PDFs

Ngā mihi

**Cindy Zhu | Kaiāwhina Kāhui – Team Assistant |**

**Macroeconomic & Fiscal Policy and Tax Strategy | Te Tai Ōhanga – The Treasury**

Email/IM: [Cindy.Zhu@treasury.govt.nz](mailto:Cindy.Zhu@treasury.govt.nz)

Visit us online at <https://treasury.govt.nz/> and follow us on [Twitter](#), [LinkedIn](#) and [Instagram](#)




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TE TAI ŌHANGA  
THE TREASURY

**Treasury Report:** Independent review of monetary policy: revised terms of reference and list of potential reviewers

<b>Date:</b>	26 June 2025	<b>Report No:</b>	T2025/1665
		<b>File Number:</b>	MC-1-3-2-M120167

**Action sought**

	Action sought	Deadline
Hon Nicola Willis <b>Minister of Finance</b>	<p><b>Provide</b> feedback on the draft terms of reference for the independent review of monetary policy.</p> <p><b>Indicate</b> 5-7 reviewers for each of the New Zealand and international candidate pools that you consider would be suitable to conduct the Review.</p> <p><b>Consult</b> coalition parties and relevant Ministers on the draft terms of reference and your preferred candidates for reviewer.</p> <p><b>Consult</b> the Reserve Bank on the draft terms of reference.</p>	At your earliest convenience

**Contact for telephone discussion (if required)**

Name	Position	Telephone	1st Contact
Sam Thornton	Senior Analyst, Macroeconomic and Fiscal Policy	s9(2)(k)	N/A (mob) ✓
Ben Gaukrodger	Manager, Macroeconomic and Fiscal Policy	s9(2)(g)(ii)	-

**Minister's Office actions (if required)**

**Return** the signed report to Treasury.

**Circulate** the draft Cabinet paper, draft terms of reference, and list of reviewers for Ministerial and coalition party consultation.

**Send** the signed letter and draft terms of reference to the Reserve Bank for consultation.

Note any feedback on the quality of the report

**Enclosure:** Yes (attached)

**IN CONFIDENCE****Treasury Report: Independent review of monetary policy: revised terms of reference and list of potential reviewers**

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**Executive summary**

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This report seeks decisions on the establishment of an independent review of monetary policy (the Review). In line with your feedback on previous advice [T2025/1230 refers], revised draft terms of reference and a list of potential New Zealand reviewers are attached.

In summary, the key changes are to:

- extend the deadline for the Review's report to March 2026 to support a thorough but prompt review
- appoint a panel of two or three reviewers, including New Zealand candidates, led by an internationally regarded monetary policy expert
- clarify the scope of the terms of reference to explicitly include house price impacts, the effectiveness and costs of the Large Scale Asset Purchase programme (LSAP), and
- take a targeted approach to the Review's assessment of fiscal-monetary coordination that focuses on whether the MPC and the Treasury were effectively sharing information, whether the MPC appropriately calibrated monetary policy to the fiscal stance, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination (but not the Treasury's advice or the Government's decisions),

We recommend you establish the Review in two parts: the main part of the Review under section 194 of the Reserve Bank of New Zealand Act 2021 (the Act), and another part of the review would consider fiscal aspects of fiscal-monetary coordination.

Once you are comfortable with the terms of reference and potential reviewers, the key next steps are to:

- Begin the Cabinet paper process, including coalition party consultation – You may wish to test the draft terms of reference and potential review candidates with your coalition partners before the Treasury begins contacting candidates. A draft Cabinet paper is attached.
- Consult the Reserve Bank – We recommend you write to the Reserve Bank to consult them on the draft terms of reference, as required for a review under section 194 of the Act. A draft letter is attached to this report.
- Begin sounding-out potential reviewers – With your approval, we will begin contacting preferred candidates to test their interest and availability to undertake the Review.

yes.

**IN CONFIDENCE****Treasury Report: Independent review of monetary policy: revised terms of reference and list of potential reviewers**

---

**Purpose of report**

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1. This report seeks decisions on the establishment of an independent review of monetary policy (the Review). In line with your feedback on previous advice, revised draft terms of reference and a list of potential New Zealand reviewers are attached.

**Background**

---

2. You have asked for support establishing a review to gain an independent perspective on the performance of monetary policy during the COVID-19 period, and to provide lessons for future periods of instability. In May, the Treasury advised you on the establishment of an independent review of monetary policy, including proposed terms of reference and a list of potential reviewers [T2025/1230 refers].
3. You provided feedback on several matters at the Weekly Agency Meeting on 3 June 2025, including to:
  - extend the timeframe for completing the Review,
  - consider New Zealand reviewers, and
  - broaden the scope of the Review.
4. This advice responds to your feedback and proposes next steps.

**Timeframe for the Review**

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5. You have agreed to extend the timeline for completing the Review, beyond the term of the temporary Reserve Bank Governor, but within this term of Parliament.
6. We recommend setting a March 2026 deadline for the Review's final report. We think the proposed timeframe is sufficiently ambitious to encourage a focussed Review and support a thorough and insightful analysis. It allows a four-month period for the substantive work of the Review and two months for consultation on the draft report. This timeline assumes the scope of the Review recommended in this report. A wider scope may require more time.
7. Completing the Review promptly supports the Reserve Bank's leadership and staff to focus on building confidence in the institution, executing a successful restructure, and looking ahead from the COVID-19 period. It also allows the Treasury to advance further advice to you for decisions in 2026, informed by the Review's findings, including:
  - advice on the financial governance arrangements of additional monetary policy (AMP) tools as part of the Review of the Memorandum of Understanding on the use of AMP tools [T2025/2903 refers], and
  - advice on the role of the Treasury Observer, as required under the National-ACT coalition agreement. We will provide initial advice soon, with further advice later that considers the findings and recommendations of the Review.

**IN CONFIDENCE**

8. A March 2026 deadline coincides with the deadline for the COVID-19 Royal Commission (due 26 February 2026). Given the potential for overlap between the two reviews, we are uncertain how the Royal Commission will react to the independent review of monetary policy. While the decisions made by the Reserve Bank’s independent monetary policy committee are out of scope of the COVID-19 Royal Commission, Phase 1 considered fiscal-monetary coordination. The Royal Commission may request the draft report of the Review.
9. A faster review may be possible, and we will test this with the preferred reviewers.

**Table 1. Key timeframes for the independent review of monetary policy**

Date	Milestone
July-August 2025	Review establishment (roughly 4-6 weeks) including Cabinet process and securing reviewers.
August-December 2025	Substantive Review process underway (4 months).
December 2025	Draft report for consultation with affected parties (2 months).
By March 2026	Report finalised.

Potential reviewers

10. As requested, a list of suitable New Zealand candidates is attached. We identified suitable candidates based on their strong monetary policy expertise, no known conflicts of interest (to be tested further as part of the next stage of the selection process), and who would not create risks to public perceptions of bias. The objectivity of the reviewer supports the credibility and enduring influence of the Review and the participation of key individuals with the Review (e.g., former MPC members).
11. Previous Treasury advice recommended against selecting reviewers with a history of public commentary on New Zealand’s COVID-19-period monetary policy response to minimise perceptions that the Review is not objective and free from bias. However, we acknowledge your feedback that New Zealand candidates, including those who have a history of public commentary of the monetary policy response to the pandemic, would bring important perspectives and context, and would promote a challenging and robust review.
12. Given the longer timeframe you have allowed for the Review, we recommend a panel of two or three reviewers to provide a broader range of perspectives, made up of:
  - an internationally regarded monetary policy expert to lead the Review (refer attached list of suitable candidates), and
  - one or two other reviewers, including New Zealand candidates who may have previously commented on the New Zealand monetary policy response to the pandemic.
13. We recommend you select several (e.g., 5-7) candidates from each of the international and New Zealand lists that you would be comfortable with so the Treasury can begin sounding-out their interest, availability and fees. If you anticipate significant coalition party interest in the reviewers, we recommend you test some of the candidates with the other coalition parties before the Treasury begins contacting candidates.

*11 out*

**IN CONFIDENCE**Scope of the terms of reference

14. You have asked to broaden the scope of the terms of reference to include house price impacts, the effectiveness and costs of the Large Scale Asset Purchase programme (LSAP) and the Funding for Lending programme (FLP), and fiscal-monetary coordination.
15. Revised draft terms of reference are attached to this report. A summary of your feedback, and straightforward changes we have made, are set out in table 2 below. The Review's coverage of fiscal policy and Government decisions is more complex and further advice is set out below.
16. We recommend that the draft terms of reference are provided to the review panel, once selected, for comment prior to their finalisation.

***The Review's coverage of fiscal policy***

17. You have asked to broaden the scope of the Review to consider fiscal-monetary coordination, including what occurred, whether it was effective, and recommendations to improve coordination in future. Within this, you have a spectrum of options about the extent to which the Review considers the fiscal policy response to COVID-19.
18. A more targeted approach would be to focus on monetary policy decisions and the monetary-fiscal coordination processes that supported those decisions, but not the Treasury's advice or the Government's decisions. Under this approach the Review would consider whether the MPC and the Reserve Bank:
  - was aware of the fiscal policy response (this will necessarily require the Review to assess the adequacy of the information that was provided to the MPC and the Reserve Bank by the Treasury, including the Treasury Observer),
  - accurately assessed the impact of the fiscal policy response on the economy (the Review will likely need to form its own assessment of the broad impact of the fiscal policy response on the economy and compare it to the Reserve Bank's assessment), and
  - calibrated the monetary response to the fiscal policy response and the impact on the economy.
19. A broader approach is to extend the scope of the Review to assess the fiscal policy response, including the Treasury's forecasts and assessments of the impact of monetary policy on the economy, whether the fiscal response was calibrated to the monetary policy response, and the Government's decision to indemnify the Reserve Bank in respect of any financial losses associated with the LSAP programme.
20. The broader approach would provide the most comprehensive picture of fiscal-monetary coordination. However, it would also:
  - increase the risk of overlaps with the COVID-19 Royal Commission, which could mean two simultaneous reviews into the same matters, and
  - increase the time and cost of the Review. At its most expansive, it could require the reviewer to understand and evaluate both the monetary and fiscal response to the COVID-19 pandemic. This would require more time and potentially a panel of reviewers with a different mix of skills than those proposed.

**IN CONFIDENCE**

21. We recommend a more targeted approach that focuses the Review on “whether the MPC and the Treasury were effectively sharing information, whether the MPC appropriately calibrated monetary policy to the fiscal stance, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination”. We also propose excluding fiscal policy from the Review. This approach limits overlaps with the COVID-19 Royal Commission and ensures the Review is manageable and completed promptly. We note that the Treasury is planning further advice to you that incorporates lessons learned from the COVID-19 experience for fiscal policy and fiscal-monetary coordination.
22. If you would like the Review to take a broader approach to assessing monetary-fiscal coordination, we recommend you set the terms of reference at a high level that allows the reviewers to use their expert judgement and any preliminary findings to consider any aspects of fiscal-monetary coordination they deem appropriate, within the timing of the Review. For example, asking the reviewers to assess “whether there was appropriate monetary and fiscal policy coordination and what improvement could be made to the framework and operation of monetary and fiscal policy coordination”.

**Table 2. Changes to the terms of reference in response to your feedback**

Your feedback	Changes we have made
<p><b>The Review must assess what went wrong so lessons can be drawn to improve future monetary policy.</b></p>	<p>Added an explicit purpose of the Review to “support accountability and public confidence in the operational independence of monetary policy” (clause 9.1). This ensures the Review scrutinises the actions of the MPC and Reserve Bank.</p> <p>Added a section to be explicit that the Review should assess the performance of monetary policy during the period (clause 10.1) and added a section directing the Review to distinguish between aspects of the monetary policy response that could have been better considering what was known and knowable at the time in the circumstances, and aspects that could have been better with the benefit of hindsight. Distinguishing these types of recommendations/findings supports accountability and is intended to further emphasise that the Review should consider “what went wrong”.</p> <p>s9(2)(g)(i)</p>
<p><b>The Review must assess whether the LSAP and FLP achieved their monetary policy objectives, and whether the tools justified the costs.</b></p>	<p>Added explicit requirement for the Review to assess the MPC’s and the Reserve Bank’s choices about the use and design of monetary policy tools (clause 12.1), including:</p> <ul style="list-style-type: none"> <li>• whether the stimulus provided by the LSAP justified the risks to the public balance sheet and other costs, and</li> <li>• whether the stimulus provided by the FLP justified the risks to the public balance sheet and other costs.</li> </ul> <p>We do not expect the Review will be able to make a definitive quantitative estimate of the effectiveness of the LSAP or FLP (i.e. the extent to which the programmes lowered interest rates) or the indirect fiscal impacts. Instead, the Review will likely be limited to critiquing the Reserve Bank’s existing research and overseas research on comparable programmes. The Treasury is considering a research project to estimate the impact of LSAPs on interest rates and the indirect fiscal impacts.</p>

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<p><b>The Review must assess fiscal and monetary coordination, including what occurred, whether it was effective, and recommendations to improve coordination in future.</b></p>	<p>Revised the requirement for the Review to assess fiscal-monetary coordination to include "whether the MPC and the Treasury were effectively sharing information, whether the MPC appropriately calibrated monetary policy to the fiscal stance, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination".</p> <p>Removed the clause excluding the Treasury Observer from the scope of the Review. We previously recommended excluding the Treasury Observer from the Review to manage overlaps with the COVID-19 Royal Commission, and to ensure a targeted review that could be completed quickly (i.e. to avoid the Review considering the fiscal policy response broadly).</p> <p>To keep the Review manageable, we propose to explicitly exclude an assessment of fiscal policy from the Review.</p>
<p><b>The Review must assess whether the MPC appropriately considered the impact of monetary policy on asset and house prices.</b></p>	<p>Added that the Review should include "the MPC's consideration of the interaction of monetary policy with fiscal and macroprudential policy, and the impact on asset and house prices".</p>

Type of review

23. We recommend you establish the Review in two parts:
- the main part of the Review under section 194 of the Reserve Bank of New Zealand Act 2021 (the Act). Under section 194, you may review the operations and performance of the Reserve Bank at any time (the MPC being a committee of the Reserve Bank). A review under section 194 requires the Reserve Bank to take all reasonable steps to co-operate with the Review. You are required to consult the Reserve Bank on the purpose and nature of a section 194 review and to consider the submissions made by the Reserve Bank.
  - another part of the Review would consider whether the MPC and the Treasury were effectively sharing information and what improvements could be made to the framework and operation of monetary and fiscal policy coordination. A review of Treasury coordination and policy recommendations about a future framework would fall outside scope of section 194 of the Act. However, you do not need statutory authority to undertake a review of the Treasury or ask a reviewer to make policy recommendations about future frameworks.
24. The main limitation of the above option is that participation would be voluntary for former Treasury staff, including former Treasury observers, and former Reserve Bank staff and MPC members (although it is likely that some individuals will chose to participate and speak to their roles during the relevant time). We do not think non-participation of some former MPC members or Treasury observers would prevent a successful review as the Treasury and the Reserve Bank hold extensive written material. However, interviews with MPC members and Treasury Observers during the period under review would likely be valuable to understanding the MPC's decision-making and the judgements underpinning fiscal policy advice and decisions. We understand from the Reserve Bank that there are no minutes of MPC deliberations other than the publicly available summary record of each MPC decision round.

**IN CONFIDENCE**

- Similarly, much of the information provided by the Treasury Observer to the MPC, particularly early in the COVID-19 period, was provided verbally only.
25. An alternative option is to establish the Review as a Government inquiry. Government inquiries can be established under the Inquiries Act 2013 for the purpose of inquiring into, and reporting on, any matter of public importance.
- The main advantage is that a Government inquiry would have statutory powers to compel witnesses to participate. It would also be required to act independently of Government and follow the principles of natural justice. Fees for reviewers would be more tightly constrained under application of the Cabinet fees framework.
  - The main risk is that a Government inquiry may be perceived as a more significant intervention, signalling greater Government concern about the conduct of monetary policy, and would come at a time when the Reserve Bank is managing significant leadership and organisational changes. A review under section 194 (with non-statutory aspects), may be perceived as a less significant intervention, on the basis that it is expressly provided for in the Reserve Bank Act, and a similar review has been undertaken in the past (in 2001). There is also a risk that the more rigid procedural requirements of an inquiry could lead to delays in the timely delivery of a report.
26. We can provide further advice on establishing the Review as a Government inquiry if requested.

**Funding**

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27. As previously advised, funding for the Review is available via an expense transfer of \$0.500 million. An in-principle expense transfer was approved during the March Baseline Update. The funding is intended to cover the fees of the reviewers, any additional external analysis required, and independent external legal counsel to support the reviewers. We expect that the baseline funding of \$500,000 available for the Review will be sufficient for a panel of three reviewers to meet the terms of reference and timeframes proposed in this report.

**Risks**

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28. Previous advice noted the three key risks relating to the Review are (i) risks to perceptions of independent monetary policy, (ii) overlaps with the COVID-19 Royal Commission, and (iii) the timeframes for the Review. Your approval to extend the timeframes for the Review manage the third risk. The first two risks remain.
- Initiating a review of the performance of monetary policy risks weakening perceptions of the Reserve Bank's operational independence in formulating and implementing monetary policy. This risk can be managed through careful communications about the purpose of the Review to support effective monetary policy responses to future shocks, that the review is provided for in New Zealand's monetary frameworks (section 194 of the Reserve Bank Act) and that the Review is being undertaken free from bias by impartial and objective monetary policy experts.
  - Overlaps between the Review and the COVID-19 Royal Commission could mean two simultaneous reviews into the same matters. Our recommended terms of reference help to limit this risk.

**IN CONFIDENCE****Next steps**

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29. The Treasury is available to discuss this report with you at an upcoming Weekly Agency Meeting.
30. Subject to your feedback on this report, the next steps to establish the Review are to:
- **Begin the Cabinet paper process, including coalition party consultation** – We recommend taking a paper to Cabinet to seek agreement to the Review. A draft Cabinet paper is attached. You may wish to test the draft terms of reference and potential review candidates with your coalition partners before the Treasury begins contacting candidates.
  - **Begin sounding-out potential reviewers** – With your approval, we will begin contacting preferred candidates to test their interest and availability to lead the Review. We intend to share the draft terms of reference with the preferred candidates.
  - **Consult the Reserve Bank on the purpose and nature of the Review** – Once you are comfortable with the draft terms of reference, we recommend you write to the Reserve Bank to consult them on the purpose and nature of the Review, as required for a review under section 194 of the Act. A draft letter is attached to this report. While we have engaged with the Reserve Bank in preparing this advice, formal engagement with the Reserve Bank on the terms of reference ensures you meet the requirement to consult the Reserve Bank under section 194 of the Reserve Bank Act.

## IN CONFIDENCE

**Recommended actions**

We recommend that you:

- a **agree** to commission a review of monetary policy during the COVID-19 pandemic (the Review), with the main part of the Review conducted under section 194 of the Reserve Bank of New Zealand Act 2021.

~~Agree/disagree.~~

- b **agree** to focus the Review on decisions taken by the Monetary Policy Committee (MPC), and analysis provided by the Reserve Bank to support those decisions, during the period 1 January 2020 through 31 December 2022, including preparations prior to 2020 for the event of reaching the effective lower bound on interest rates.

~~Agree/disagree.~~

- c **agree** the following matters should be in scope of the Review:

- |      |  |                           |
|------|--|---------------------------|
| i.   | the information that was provided to the MPC to support their decision-making, including the Reserve Bank's forecasts  | <del>Agree/disagree</del> |
| ii.  | the MPC's decision-making strategy, processes and treatment of uncertainty, including its processes set out in the MPC Charter   | <del>Agree/disagree</del> |
| iii. | the MPC's communications and forward guidance  | <del>Agree/disagree</del> |
| iv.  | the MPC's and the Reserve Bank's choice and design of policy tools, including whether the stimulus provided by the LSAP and FLP justified the risks to the public balance sheet and other costs  | <del>Agree/disagree</del> |
| v.   | whether the MPC and the Treasury were effectively sharing information, whether the MPC appropriately calibrated monetary policy to the fiscal stance, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination, and | <del>Agree/disagree</del> |
| vi.  | any other matters necessary to meet the purpose of the Review.   | <del>Agree/disagree</del> |

- d **agree** the following matters should be out of scope of the Review:

- |      |   |                           |
|------|---|---------------------------|
| i.   | the Reserve Bank's functions aside from monetary policy other than were they overlap with monetary policy | <del>Agree/disagree</del> |
| ii.  | the Reserve Bank Board's monitoring of the performance of the MPC and individual MPC members              | <del>Agree/disagree</del> |
| iii. | the fiscal response to the COVID-19 pandemic, and   | <del>Agree/disagree</del> |

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iv. the Government's decision to indemnify the Reserve Bank in respect of any financial losses associated with the LSAP programme. Agree/disagree

e **provide feedback** on the draft terms of reference attached to this report.

Yes/no.

f **agree** to select two to three reviewers, with an international reviewer as the chair.

Agree/disagree.

g **indicate** between five and seven candidates for reviewers, for both the international and New Zealand candidates, that you would be comfortable with, as set out in the list attached to this report.

Yes/no.

h **sign and send** the attached letter to the Chair of the Reserve Bank Board and the Governor of the Reserve Bank to consult them on the draft terms of reference, as required under section 194 of the Reserve Bank Act 2021.

Yes/no.

i **agree**, subject to your feedback, to circulate the draft Cabinet paper, draft terms of reference and list of potential reviewers for consultation with relevant Ministers and coalition parties.

Agree/disagree.

*potential reviewers only to be contacted after Ministers consulted*

Ben Gaukrodger  
**Manager, Macroeconomic and Fiscal Policy**

Hon Nicola Willis  
**Minister of Finance**

9/7/25

## IN CONFIDENCE

**Independent review of the monetary policy response to the COVID-19 pandemic****Draft terms of reference**

1. The Minister of Finance is commissioning an independent review of the monetary policy response to the COVID-19 pandemic (the Review) to support accountability and public confidence in the operational independence of monetary policy and inform the ongoing effectiveness of monetary policy.
2. One part of the Review is conducted under section 194 of the Reserve Bank of New Zealand Act 2021 (the Act). The Monetary Policy Committee (MPC) is a committee of the Reserve Bank under section 97 of the Act. As required under section 194, the Minister has consulted the Reserve Bank on the purpose and nature of this Review and has considered the submissions made by the Reserve Bank on the proposed Review.
3. Another part of the Review will consider whether the MPC and the Treasury were effectively sharing information, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination.

**Background**

4. The Reserve Bank's MPC is required under the Act to formulate monetary policy. The Reserve Bank implements monetary policy formulated by the MPC.
5. During 2020 to 2022, there were significant economic challenges arising from the COVID-19 pandemic. In response, the MPC took unprecedented monetary policy actions. These included reducing the Official Cash Rate (OCR) to 0.25%, providing specific forward guidance about the OCR, and using Additional Monetary Policy (AMP) tools for the first time. The AMP tools used were the Large Scale Asset Purchase (LSAP) programme and the Funding for Lending Programme (FLP).
6. From late 2020 New Zealand's economic recovery was stronger than expected. House prices increased, and from early 2021 consumer price inflation began to rise. From late 2021, the MPC began to increase the OCR in response. Between 2021Q1 and 2023Q1, CPI inflation averaged 5.8%, compared to the midpoint of the MPC's inflation objective of 2.0%. There were also fiscal implications associated with the use of AMP tools. As of the end of April 2025, direct interest rate losses to the Crown from the LSAP programme are estimated to be around \$10.4 billion.
7. In November 2022, the Reserve Bank released its review of the formulation and implementation of monetary policy in the five years ended October 2022, as was required under section 131 of the Act.<sup>1</sup> The Reserve Bank commissioned two external peer reviews of this report.<sup>2</sup>
8. New Zealand's broader response to COVID-19 is being reviewed by the Royal Commission of Inquiry into Lessons Learned from Aotearoa New Zealand's Response to COVID-19 That Should Be Applied in Preparation for a Future Pandemic (the COVID-19 Royal Commission). Decisions taken by the MPC are out of scope of the COVID-19 Royal Commission and instead will be addressed in this Review.<sup>3</sup>

<sup>1</sup> <https://www.rbnz.govt.nz/hub/publications/monetary-policy-statement/rafimp>

<sup>2</sup> <https://www.rbnz.govt.nz/monetary-policy/about-monetary-policy/rafimp/a-summary-of-rafimp>

<sup>3</sup> Clause 6(1) of Schedule 2 of the Royal Commission of Inquiry (COVID-19 Lessons) Amendment Order (No 2) 2024.

**IN CONFIDENCE****Purpose and nature of the Review**

9. The purpose of the Review is to:
  - 9.1. support accountability and public confidence in the operational independence of monetary policy, and
  - 9.2. improve the ongoing effectiveness of monetary policy.
10. The Review will:
  - 10.1. assess the performance of the monetary policy response to the COVID-19 pandemic against the objectives of monetary policy that applied at the time, having regard to what was known and could reasonably have been known in the circumstances, and relevant decisions made by comparable central banks, and
  - 10.2. make recommendations to improve the monetary policy response to future shocks, including commentary around potential changes to the frameworks, having regard to the benefits of hindsight.
11. The focus of the Review is on decisions by the MPC, and analysis provided by the Reserve Bank to support those decisions, during the period 1 January 2020 through 31 December 2022,<sup>4</sup> and preparations from 1 April 2020 for the event of reaching the effective lower bound on interest rates.<sup>5</sup>
12. The following matters are in scope of the Review:
  - 12.1. the information that was provided to the MPC to support their decision-making, including the Reserve Bank's forecasts
  - 12.2. the MPC's decision-making strategy, processes and treatment of uncertainty, including its processes set out in the MPC Charter<sup>6</sup>
  - 12.3. the MPC's communications and forward guidance
  - 12.4. the MPC's and the Reserve Bank's choices about the use and design of monetary policy tools, in particular:
    - 12.4.1. whether the stimulus provided by the LSAP justified the risks to the public balance sheet and other costs, and
    - 12.4.2. whether the stimulus provided by the Funding for Lending Programme justified the risks to the public balance sheet and other costs.
  - 12.5. whether the MPC and the Treasury were effectively sharing information, whether the MPC appropriately calibrated monetary policy to the fiscal stance, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination

<sup>4</sup> The period runs from 1 January 2020, around when COVID-19 began to be recognised as an economic risk, through to the end of 2022, by which time most COVID-19 restrictions had ended and the MPC had responded to elevated inflation.

<sup>5</sup> The period extends back to the MPC's establishment on 1 April 2019.

<sup>6</sup> Refer <https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/monetary-policy/about-monetary-policy/december-2023-monetary-policy-committee-charter.pdf>

**IN CONFIDENCE**

- 12.6. the MPC's consideration of the interaction of monetary policy with fiscal and macroprudential policy, and the impact on asset and house prices, and
- 12.7. any other matters necessary to meet the purpose of the Review.
13. The following matters are out of scope of the Review:
  - 13.1. the Reserve Bank's functions aside from monetary policy. However, areas of overlap between monetary policy and the Reserve Bank's other functions are in scope, such as interactions between monetary policy and macroprudential policy.
  - 13.2. the Reserve Bank Board's monitoring of the performance of the MPC and individual MPC members
  - 13.3. the fiscal response to the COVID-19 pandemic as this was not a decision by the MPC or the Reserve Bank
  - 13.4. the Government's decision to indemnify the Reserve Bank in respect of any financial losses associated with the LSAP programme as this was not a decision by the MPC or the Reserve Bank.
14. The Review will operate as follows:
  - 14.1. The Review is to assess the collective decisions of the MPC as a whole, not individual MPC members.
  - 14.2. The Review will draw on:
    - 14.2.1. written material the MPC considered during the period under review
    - 14.2.2. previous reviews, such as Reserve Bank's 2022 Review and Assessment of the Formulation and Implementation of Monetary Policy<sup>7</sup>
    - 14.2.3. public commentary on monetary policy
    - 14.2.4. interviews with people who were MPC members for a year or more during the period under review,<sup>8</sup> and
    - 14.2.5. any other information or people the reviewers consider, at their discretion, would help the reviewers make their assessment based on these terms of reference.
  - 14.3. It is not expected that the reviewers will seek public submissions.
15. The reviewers will provide a draft report for comment in December 2025 to the MPC members from the period under review (including those on the MPC for less than a year), the Treasury, and the Reserve Bank. The reviewers will provide a final report in March 2026. The report is to be no longer than 40 pages.

<sup>7</sup> <https://www.rbnz.govt.nz/monetary-policy/about-monetary-policy/rafimp>

<sup>8</sup> The following individuals were MPC members for a year or more during the period under review: Adrian Orr, Geoff Baschand, Christian Hawkesby, Yuong Ha, Bob Buckle, Peter Harris, and Caroline Saunders.


**IN-CONFIDENCE**

**List of suitable candidates to conduct a review of the monetary policy response to the COVID-19 pandemic**

**Criteria and characteristics sought**

1. The Review will be conducted by a panel of 2-3 reviewers. The lead reviewer is intended to be an international economist.
  
2. The ideal candidates will have the following characteristics:
  - a Monetary policy expertise –
    - a deep knowledge of contemporary monetary policy theory and research
    - a thorough understanding of international best practice monetary policy frameworks and decision-making
    - a track-record of analysing economic information to make monetary policy decisions (e.g., experience serving on a monetary policy committee or similar).
  
  - b Impartial and objective –
    - was ideally not involved in making similar decisions in other jurisdictions to those made by the Reserve Bank’s MPC over the period under review
    - would not create risks to public perceptions of bias
    - has no other potential conflicts or perceptions of conflicts that undermines perceptions of impartiality and objectivity.
  
  - c Ability to deliver –
    - a track record in delivering similar reviews (e.g., if the reviewer has reviewed a central bank before)
    - available to complete the work in the time available.

**Top New Zealand candidates who stand out against the criteria**

Person	Qualifying characteristics
 <b>Alan Bollard</b>	Governor of the Reserve Bank of New Zealand from 2002 to 2012, including during the Global Financial Crisis, Secretary to the New Zealand Treasury from 1997-2002, Chair of the New Zealand Infrastructure Commission 2019-2024. Currently a Commissioner at the Tertiary Education Commission, amongst other directorships.
<b>David Archer</b>	Former Reserve Bank Assistant Governor, former Head of the Central Banking Studies unit at the Bank for International Settlements. International expert on the governance arrangements and institutional design features of central banks.  Mr Archer is a beneficiary of the Reserve Bank staff superannuation and provident fund. There is a potential perception of a conflict given the ongoing dispute between the Reserve Bank and the trustees of the Reserve Bank superannuation fund.

s9(2)(a) and s9(2)(b)(ii)

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s9(2)(a) and s9(2)(b)(ii)

**Other potential New Zealand candidates**

Person	Qualifying characteristics
✓ <b>John Whitehead</b>	Secretary to the Treasury from 2003 to 2011, former executive Director on the Board of the World Bank Group, Commissioner on Phase 1 of the Royal Commission COVID-19 Lessons Learned.
s9(2)(a) and s9(2)(b)(ii)	
s9(2)(a)	
✓ <b>Cameron Bagrie</b>	Chief Economist at ANZ 2006-2011.

**Top international candidates who stand out against the criteria**

Person	Qualifying characteristics
✓ <b>Kristin Forbes</b>	External Member of the Bank of England MPC (2014-2017), White House Council of Economic Advisors (2003-05), currently a professor at Massachusetts Institute of Technology. Reviewed the Bank of Canada's own COVID-19 review. Was also involved in a 2018 Central Bank of Iceland review.
✓ <b>Carolyn Wilkens</b>	Deputy Governor Bank of Canada 2014-December 2020 (note this period overlaps with the period of the proposed review), and current external member of Bank of England Financial Policy Committee. She was a panellist on the 2023 Reserve Bank of Australia review.
<b>Athanasios Orphanides</b>	Prominent researcher on monetary policy, Governor of Central Bank of Cyprus 2007-2012, and member of Governing council of the European Central Bank 2008-2012. Amongst other roles he is currently involved in Asia school of business, and he has visited New Zealand a few times before.

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	Advised on some other central bank reviews (Reserve Bank of Australia 2023, Central Bank of Iceland 2018).
s9(2)(a)	

**Further international candidates who appear suitable**

Person	Qualifying characteristics
s9(2)(a)	
✓ <b>Renée Fry-McKibbin</b>	Professor of Economics at the Crawford School of Public Policy, Australian National University and a non-executive member of the Reserve Bank of Australia's Monetary Policy Board since 1 March 2025. On the panel of the 2022-23 Reserve Bank of Australia review. Married to Warwick McKibbin who was a reviewer of the Reserve Bank of New Zealand's 2022 review of monetary policy.
<b>Ben Bernanke</b>	Chair of the Federal Reserve Board of Governors 2006-2014. Undertook a review of the Bank of England's forecasting during COVID in 2024 (although this was much more technical than what the review proposed for New Zealand). Keynote speaker at the Reserve Bank of New Zealand's conference on 6-7 March 2025.
✓ <b>Andrew Haldane</b>	Chief economist at the Bank of England and MPC member 2014- 30 June 2021 (note this period overlaps with the period of the proposed review). Now Head of the Royal Society.

## Hon Nicola Willis

Minister of Finance  
Minister for Economic Growth  
Minister for Social Investment



Professor Neil Quigley  
Chair, Reserve Bank Board  
[Neil.Quigley@rbnz.govt.nz](mailto:Neil.Quigley@rbnz.govt.nz)

Christian Hawkesby  
Governor, Reserve Bank  
[Christian.Hawkesby@rbnz.govt.nz](mailto:Christian.Hawkesby@rbnz.govt.nz)

Dear Neil and Christian

### **Re: Consultation on an external review of monetary policy**

During the period from 2020 to 2022, there were significant economic challenges caused by the COVID-19 pandemic. In response to these economic challenges, the Monetary Policy Committee (MPC) took unprecedented monetary policy actions.

The Reserve Bank of New Zealand (the Bank) published the Review and Assessment of the Formulation and Implementation of Monetary Policy, which included an assessment of monetary policy performance between 2020 and 2022. Whilst the Bank commissioned independent experts to provide peer review, this review was not independent of the Reserve Bank.

As such, I am considering an external review to provide the Government with an independent perspective on the MPC's performance during 2020 to 2022. This will ensure there is appropriate transparency over the MPC's performance during a period of significant economic challenges, and will help identify lessons for future episodes of instability.

I am considering undertaking the review under section 194 of the Reserve Bank of New Zealand Act 2021. Draft terms of reference for the review are attached. I welcome your views by ~~11 July 2025~~.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nicola Willis'.

Hon Nicola Willis  
**Minister of Finance**

**I N C O N F I D E N C E****In Confidence**

Office of the Minister of Finance

Cabinet Economic Policy Committee

**Independent review of monetary policy****Proposal**

- 1 This paper seeks agreement to establish an independent review of the monetary policy response to the COVID-19 pandemic. The purpose of the review is to support accountability and public confidence in the operational independence of monetary policy and to inform the ongoing effectiveness of monetary policy.

**Relation to government priorities**

- 2 An independent review of the monetary policy response to the COVID-19 pandemic promotes effective monetary policy in future periods of instability. This supports the Government's priority to create a stable and predictable economic environment and builds on actions the Government has already taken to support macroeconomic stability, including passing legislation to return the Reserve Bank to a single focus on price stability, constraining growth in government spending, and reducing costs on business.

**Executive Summary**

- 3 The COVID-19 pandemic caused significant economic challenges. In response, the Reserve Bank's Monetary Policy Committee (MPC) took unprecedented monetary policy actions including reducing the Official Cash Rate (OCR) to 0.25% and holding it there for 12 months and using Additional Monetary Policy (AMP) tools for the first time. From early 2021, inflation began to rise sharply and was persistently above the MPC's target until the 2024 September quarter. Implementing AMP tools had a significant negative financial impact.
- 4 I propose engaging two to three monetary policy experts to provide an independent perspective on the MPC's performance during 2020 to 2022 and to provide lessons for future periods of instability. I propose the terms of reference focus on decisions by the MPC, and analysis provided by the Reserve Bank to support those decisions.
- 5 I intend the review to be thorough but completed promptly, by March 2026. This approach provides the new permanent Governor with the findings and recommendations of the review to build from. I will update Cabinet on the findings and recommendations of the review prior to publication.

**Background**

- 6 Over 2020-2022 there were significant economic challenges caused by the COVID-19 pandemic. In response to these economic challenges, the MPC took unprecedented monetary policy actions including reducing the Official Cash Rate (OCR) to 0.25%, holding the OCR at 0.25% for 12 months, and using Additional Monetary Policy (AMP) tools for the first time.

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- 7 From early 2021, inflation began to rise sharply in New Zealand and was persistently in excess of the MPC's inflation target until the 2024 September quarter. Although the rise in inflation partly reflects supply-side factors (disruptions associated with COVID-19 and Russia's invasion of Ukraine), estimates by the Treasury indicate that the rise in inflation can also be attributed to strong aggregate demand. This outcome was observed in most advanced economies and was in part reflective of a deliberate strategy to minimise the likelihood of worst-case scenarios for the economy, given significant uncertainty about the impacts of COVID-19.
- 8 Implementing AMP tools had a significant financial impact. AMP tools led to significant growth in the Bank's balance sheet: from total assets of \$42.3 billion pre-COVID-19 to \$88.9 billion as at 30 June 2023. This has resulted in significant direct losses (totalling around \$10.4 billion at the end of April 2025) on the Bank's balance sheet arising from the LSAP programme. These losses have been indemnified by the Crown. There will also have been indirect fiscal impacts (e.g. higher tax revenue) as a result of the MPC providing additional monetary stimulus, which may have offset these costs to some extent.
- 9 In 2022 the Reserve Bank published its own review of the formulation and implementation of monetary policy, which included an assessment of monetary policy performance between 2020 and 2022. While the review was peer reviewed by two independent experts, the review itself was not independent of the Reserve Bank.
- 10 New Zealand's broader response to COVID-19 is being reviewed by the Royal Commission of Inquiry into Lessons Learned from Aotearoa New Zealand's Response to COVID-19 That Should Be Applied in Preparation for a Future Pandemic (the COVID-19 Royal Commission). Decisions taken by the MPC are out of scope of the COVID-19 Royal Commission and instead will be addressed in this review.

**Objective and form of the review**

- 11 I propose that the purpose of the review be to provide an independent perspective on the MPC's performance during 2020 to 2022 and to provide lessons for future periods of instability.
- 12 The review of the Reserve Bank will be conducted under section 194 of the Reserve Bank of New Zealand Act 2021 (the Act). Under section 194 of the Act, as Minister, I may review the operations and performance of the Reserve Bank at any time (the MPC being a committee of the Reserve Bank). A review under section 194 requires the Reserve Bank to take all reasonable steps to co-operate with the review. I am required to consult the Reserve Bank on the purpose and nature of a section 194 review and to consider the submissions made by the Reserve Bank. The review will rely on voluntary participation by former MPC members. It is therefore important to maintain actual, and perceptions of, fairness and impartiality, including through the terms of reference, selection of credible reviewers and the Government's public communications.

**Terms of reference**

- 13 Proposed draft terms of reference for the review are included as Annex 1 of this report.
- 14 The terms of reference focus on decisions by the MPC, and analysis provided by the Reserve Bank to support those decisions, during the period 1 January 2020 through 31 December 2022, including preparations prior to 2020 for the event of reaching the effective lower bound on interest rates. The review includes:

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- 14.1 the information that was provided to the MPC to support their decision-making, including the Reserve Bank's forecasts
- 14.2 the MPC's decision-making strategy, processes and treatment of uncertainty, including its processes set out in the MPC Charter
- 14.3 the MPC's communications and forward guidance
- 14.4 the MPC's and the Reserve Bank's choices about the use and design of monetary policy tools, in particular whether the stimulus provided by the LSAP and FLP justified the risks to the public balance sheet and other costs, and
- 14.5 whether the MPC and the Treasury were effectively sharing information, whether the MPC appropriately calibrated monetary policy to the fiscal stance, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination
- 14.6 the MPC's consideration of the interaction of monetary policy with fiscal and macroprudential policy, and the impact on asset and house prices, and
- 14.7 any other matters necessary to meet the purpose of the Review.

**Selection of reviewers**

- 15 I intend to select two to three monetary policy experts to conduct the review. I will seek an internationally regarded monetary policy expert to lead the review. In practice, suitable candidates are likely to be overseas senior central bankers. I also intend to select New Zealand-based monetary policy experts to make up the panel of reviewers. I will confirm the reviewers in consultation with the Associate Ministers of Finance.

**Timeline**

- 16 I will report to Cabinet on the findings of the review and the Government's response.
- 17 The table below sets out key milestones for the review.

<b>Milestone</b>	<b>Timeframe</b>
Substantive review process underway	August-December 2025
Draft report	December 2025
Report finalised	March 2026

**Cost-of-living Implications**

- 18 The independent review of the monetary policy response to the COVID-19 pandemic promotes effective monetary policy and low and stable inflation. Macroeconomic stability – the predictability in variables including real output growth, inflation, and the current account deficit – can support resource allocation choices, investment, and economic growth. In turn, this protects New Zealanders' living standards from the negative effects of economic volatility such as periods of high inflation.

**IN CONFIDENCE****Financial Implications**

- 19 The review will be funded from within baselines, subject to approval to an expense transfer through the October Baseline Update. The total cost of the review will depend on the outcome of negotiations with the reviewers but could be up to \$500,000 in total. The funding is intended to cover the fees and expenses of the reviewers, any additional external analysis required, and independent external legal counsel to support the reviewer.
- 20 The Treasury will provide secretariat services to the review within baselines. Additional costs to the Reserve Bank are expected to be managed within its existing funding.

**Legislative Implications**

- 21 There are no direct legislative implications from the establishment of this review. I will report back to Cabinet on any legislative implications arising from the review.

**Use of external Resources**

- 22 This paper proposes the selection of two to three monetary policy experts to conduct the review. External-to-government reviewers are necessary to for the review to be seen as impartial and objective.
- 23 Fees paid to the independent reviewers will be included in reporting on the Treasury's use of contractors and consultants.

**Consultation**

- 24 I have consulted the Reserve Bank on the purpose and nature of the review and have considered the submission made by the Reserve Bank, in line with section 194 of the Reserve Bank Act.
- 25 I do not intend for public consultation to be undertaken as part of review. As the review is relatively technical in nature, I do not expect that public consultation would identify new information not already available from existing public commentary.

**Communications**

- 26 I intend to announce the review, including the terms of reference and reviewers when finalised.

**Proactive Release**

- 27 I intend to release this Cabinet paper in part within 30 business days of decisions being confirmed by Cabinet.

**Recommendations**

The Minister of Finance recommends that the Committee:

- 1 agree to establish an independent review of the monetary policy response to the COVID-19 pandemic, mainly under section 194 of the Reserve Bank of New Zealand Act 2021, to support accountability and public confidence in the operational

**I N C O N F I D E N C E**

- independence of monetary policy and inform the ongoing effectiveness of monetary policy;
- 2 agree that the terms of reference for the review focus on decisions taken by the Monetary Policy Committee (MPC), and analysis provided by the Reserve Bank to support those decisions, during the period 1 January 2020 through 31 December 2022, including preparations prior to 2020 for the event of reaching the effective lower bound on interest rates, including:
    - 2.1 the information that was provided to the MPC to support their decision-making, including the Reserve Bank's forecasts
    - 2.2 the MPC's decision-making strategy, processes and treatment of uncertainty, including its processes set out in the MPC Charter
    - 2.3 the MPC's communications and forward guidance
    - 2.4 the MPC's and the Reserve Bank's choices about the use and design of monetary policy tools, in particular whether the stimulus provided by the LSAP and FLP justified the risks to the public balance sheet and other costs
    - 2.5 whether the MPC and the Treasury were effectively sharing information, whether the MPC appropriately calibrated monetary policy to the fiscal stance, and what improvements could be made to the framework and operation of monetary and fiscal policy coordination
    - 2.6 the MPC's consideration of the interaction of monetary policy with fiscal and macroprudential policy, and the impact on asset and house prices, and
    - 2.7 any other matters necessary to meet the purpose of the Review;
  - 3 authorise the Minister of Finance, in consultation with the Associate Ministers of Finance, to make changes to the terms of reference, including the scope of the review and the deadline for the final review report, in line with the policy intent of the review as set out in this paper;
  - 4 authorise the Minister of Finance, in consultation with the Associate Ministers of Finance, to approve the selection of two to three monetary policy experts to conduct the review;
  - 5 invite the Minister of Finance to report to Cabinet on the findings and recommendations of the review.

Hon Nicola Willis

**Minister of Finance**

---

**From:** ^Parliament: Yi Jin  
**Sent:** Friday, 15 August 2025 11:13 am  
**To:** Sam Thornton [TSY]; ^ s9(2)(a)  
**Subject:** FW: ECO 20 Aug: Speaking points and Q&A on the independent review of monetary policy  
**Attachments:** Cabinet talking points - Independent review of monetary policy - August 2025(5165605.1).docx

Hi Sam,

Thanks for providing them. s9(2)(a) s discussed 😊

Best, Yi

---

**From:** Sam Thornton [TSY] <Sam.Thornton@treasury.govt.nz>  
**Sent:** Friday, 15 August 2025 10:16 AM  
**To:** Yi Jin <Yi.Jin@parliament.govt.nz>  
**Subject:** ECO 20 Aug: Speaking points and Q&A on the independent review of monetary policy

[IN-CONFIDENCE]

Hi Yi

To support MoF at ECO on Wednesday next week, please find attached speaking points and Q&A on the independent review.

Let me know if you have any comments, e.g. on style or formatting, or questions.

Have a good weekend.

Sam

**Sam Thornton | Te Tai Ōhanga The Treasury**

Macroeconomic and Fiscal Policy, Senior Analyst  
Budget and Fiscal Strategy

tau waea phone: s9(2)(k) | waea pūkoro mobile: s9(2)(g)(ii) | imēra email: [sam.thornton@treasury.govt.nz](mailto:sam.thornton@treasury.govt.nz)  
treasury.govt.nz | LinkedIn | Youtube



I work irregular hours:

Mon	Tue	Wed	Thu	Fri
7.30-2	8.30-5	7.30-2	8.30-5	9-3.30 or not working (alternating fortnightly)

[SEEMail]

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**IN-CONFIDENCE****Speaking notes for Cabinet committee: Independent review of monetary policy**

Economic Policy Committee, 20 August 2025

***Speaking notes***

- I propose an independent review into the performance of monetary policy during the COVID-19 period from 2020 through 2022.
- The period saw significant economic challenges and unprecedented monetary policy actions by the Reserve Bank, including New Zealand's first use of quantitative easing. From mid-2021 inflation was persistently above the target band.
- It is important that we look back and learn from the COVID-period experience to strengthen future monetary policy responses. This will also support public accountability and confidence in the operational independence of monetary policy.
- The Reserve Bank Act explicitly provides for the Minister of Finance to review the operations and performance of the Reserve Bank at any time. This complements the Reserve Bank's own five-yearly reviews of monetary policy.
- The proposed terms of reference focus on decisions by the Monetary Policy Committee over three years from 2020, as well as analysis provided by the Reserve Bank to support those decisions. It includes an assessment of the use of the Large Scale Asset Purchase (LSAP) programme, and the coordination of fiscal and monetary policy.
- Two experts will conduct the review: one internationally regarded monetary policy expert and one highly regarded New Zealand expert. The Treasury is currently testing interest with several suitable candidates. I will confirm the selection of reviewers shortly, in consultation with the Associate Ministers of Finance.
- I intend to have the review complete within this term of Parliament, and I am targeting March 2026.
- I will report to Cabinet on the findings and recommendations of the review and the proposed Government response.
- I intend to announce the review, terms of reference and reviewers as soon as possible.

**IN-CONFIDENCE*****Background questions and answers***

1. *Will the review create perceptions the Government is undermining the operational independence of monetary policy?*
  - The Reserve Bank of New Zealand Act deliberately provides for Minister-initiated reviews of the Reserve Bank's operations and performance. Such reviews support accountability and public confidence in the operational independence of monetary policy and inform the ongoing effectiveness of monetary policy. A review of the 2020–2022 period is appropriate given the unprecedented monetary policy response to the COVID-19 pandemic.
  - External reviews of monetary policy performance are common in other advanced economies, including:
    - the review of the Central Bank of Iceland (2023)
    - the review of the Reserve Bank of Australia (2023)
    - the review of the Bank of England's forecasting and related processes led by Ben Bernanke (2024)
    - the review of the central bank of Sweden (Riksbank) currently underway.
  
2. *Is now the right time for this review given significant organisational change at the Reserve Bank?*
  - Delaying the review would further extend the passage of time since the events under review.
  - Completing the review soon will allow the incoming permanent Governor and the Reserve Bank to build on the lessons learned from the COVID-19 period.
  
3. *Will the review have enough time to consider the issues?*
  - The timeframes support a focussed review on the decisions made by the Monetary Policy Committee over three years from 2020, as well as analysis provided by the Reserve Bank to support those decisions.
  - The review can draw on overseas reviews of COVID-19 monetary policy and the Reserve Bank's own review.

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4. *The Reserve Bank has already reviewed the performance of monetary policy over the period. What will we learn from another review that we don't already know?*
- It is important to gain an external perspective on the performance of monetary policy during the COVID-19 period.
  - The previous review was not independent of the Reserve Bank. The Reserve Bank set the terms of reference and reviewed its own performance.
  - While internal reviews are valuable and are required under the Reserve Bank Act, external reviews provide for greater public accountability and confidence in the independence of monetary policy, particularly given the unprecedented monetary policy response during the COVID-19 period.
5. *Who are you considering for reviewers? [Note: The short-list of candidates and the status of the Treasury's engagement with them is attached.]*
- The Treasury is currently contacting five international monetary policy experts and two New Zealand experts.
  - Securing reviewers with strong credentials is critical to meet the objectives of the review in supporting public accountability and improving the effectiveness of future monetary policy.
6. *Will former Monetary Policy Committee members be involved in the review, e.g. the former Governor of the Reserve Bank?*
- The reviewers will invite Former Monetary Policy Committee members to be interviewed to share their perspectives on the performance of monetary policy. The review has no powers to compel participation.
7. *Why focus on the period 2020–2022? Why not consider the timing and pace of monetary easing from mid–2024?*
- 2020–2022 was the key period of uncertainty and significant monetary policy decisions, including the initial response to the pandemic, signs of economic recovery in late 2020 and into 2021, the emergence of inflationary pressures from 2021, and the beginning of the tightening cycle from late 2022.

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## Annex: Review candidate status update

International short-listed candidates	Status
<p><b>Renee Fry-McKibbin</b></p> <ul style="list-style-type: none"> <li>• Professor of Economics at the Crawford School of Public Policy, Australian National University.</li> <li>• Member of the Reserve Bank of Australia's Monetary Policy Board since 1 March 2025.</li> <li>• A member of the three-person expert panel that reviewed the Reserve Bank of Australia's governance and processes (2022–2023).</li> </ul>	<p>Met with Treasury (14 August).</p> <p>Considering.</p>
<p><b>Carolyn Wilkins</b></p> <ul style="list-style-type: none"> <li>• Currently co-leading an independent review of the Riksbank's monetary policy during the period 2015–2024 commissioned by a parliamentary committee (the review is due for completion by the end of 2025).</li> <li>• Senior Deputy Governor of the Bank of Canada (2014–December 2020 – note this period overlaps with the period of the review), including member of the Governing Council responsible for monetary policy and financial policy decision making.</li> <li>• A member of the three-person expert panel that reviewed the Reserve Bank of Australia's governance and processes (published in 2023).</li> <li>• Current external member of Bank of England Financial Policy Committee (2021–2027).</li> <li>• Currently a lecturer and senior research scholar at Princeton University, and a director on the board of Canadian insurer Intact Financial.</li> </ul>	<p>Met with Treasury (14 August).</p> <p>Considering.</p>
s9(2)(a)	
<p><b>Kristin Forbes</b></p> <ul style="list-style-type: none"> <li>• External Member of the Bank of England MPC (2014–2017).</li> <li>• Reviewed the Bank of Canada's review of their handling of COVID-19.</li> <li>• Federal Reserve Bank of New York: Member of Economic Advisory Panel (2018–2024).</li> <li>• White House Council of Economic Advisors (2003–2005).</li> <li>• Currently a professor of global economics and management at Massachusetts Institute of Technology.</li> </ul>	<p>On leave and uncontactable until 21 Aug.</p>
<p><b>Andy Haldane</b></p> <ul style="list-style-type: none"> <li>• Chief economist at the Bank of England and MPC member (2014–30 June 2021; note this period overlaps with the period of the proposed review).</li> <li>• Held various other roles at the Bank of England since joining in 1989, primarily relating to financial stability.</li> </ul>	<p>Declined. Unavailable.</p>

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New Zealand short-listed candidates	Status
<p><b>Alan Bollard</b></p> <ul style="list-style-type: none"> <li>• Governor of the Reserve Bank of New Zealand (2002–2012), including during the Global Financial Crisis.</li> <li>• Secretary to the Treasury (1997–2002).</li> </ul>	<p>Met with Treasury (12 August).</p> <p>Considering.</p>
<p>s9(2)(a) and s9(2)(b)(ii)</p>	
<p><b>John Whitehead</b></p> <ul style="list-style-type: none"> <li>• Secretary to the Treasury (2003–2011), and other roles at the Treasury since 1982, including Director of Macroeconomic Policy.</li> <li>• Former Executive Director on the Board of the World Bank Group.</li> </ul>	<p>Declined due to lack of availability.</p>

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**From:** Yi Jin <Yi.Jin@parliament.govt.nz>  
**Sent:** Friday, 19 September 2025 8:57 am  
**To:** Sam Thornton [TSY]; Ben Gaukrodger [TSY]  
**Subject:** RE: Signed T2025/2389

Hi Sam,

Minister Jones raised concerns with Mr Bollard's conflict and suggested s9(2)(a)

Thanks,  
Yi

---

**From:** Sam Thornton [TSY] <Sam.Thornton@treasury.govt.nz>  
**Sent:** Monday, 15 September 2025 10:55 AM  
**To:** Yi Jin <Yi.Jin@parliament.govt.nz>; Ben Gaukrodger [TSY] <Ben.Gaukrodger@treasury.govt.nz>  
**Subject:** RE: Signed T2025/2389

[IN-CONFIDENCE]

That's great, thanks Yi!

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**From:** Yi Jin <Yi.Jin@parliament.govt.nz>  
**Sent:** Monday, 15 September 2025 10:28 am  
**To:** Sam Thornton [TSY] <Sam.Thornton@treasury.govt.nz>; Ben Gaukrodger [TSY] <Ben.Gaukrodger@treasury.govt.nz>  
**Cc:** ^Parliament: Simon McLoughlin <simon.mcloughlin@parliament.govt.nz>; s9(2)(a)  
**Subject:** Signed T2025/2389

Good morning Sam

I attach a signed copy of T2025/2389 for your records. I will send the consultation letter to AMoFs.

Please note MoF's comments re she would like to meet the reviewers, but this can occur after the appointments.

With best wishes,  
Yi

*Yi Jin*  
*Private Secretary (Finance)*  
s9(2)(g)(ii)

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**From:** Sam Thornton [TSY]  
**Sent:** Thursday, 9 October 2025 1:11 pm  
**To:** 'yi.jin@parliament.govt.nz'  
**Cc:** Ben Gaukrodger [TSY]  
**Subject:** Update on the independent review of monetary policy

[IN-CONFIDENCE]

Hi Yi

As discussed, this email provides an update on the independent review of monetary policy.

Unfortunately, the alternative lead reviewer, s9(2)(a) has withdrawn. s9(2)(a) cited concerns that, with the new Reserve Bank Governor coming from outside New Zealand, undertaking such a review at this time risks running counter to the need to support the new Governor to get established and chart some new directions. We gave s9(2)(a) assurances that the Government is seeking to use the review to support public confidence in the operational independence of monetary policy, with a focus on learning lessons to improve future monetary policy. We also enquired whether the incoming Governor's views would change s9(2)(a) mind.

For context, we had previously recommended proceeding with s9(2)(a) as the lead reviewer, and we were working to secure a New Zealand candidate to pair her with. This followed the withdrawal of Professor Forbes due to timing constraints and concerns about Dr Bollard's potential conflict of interest raised in consultation with the Associate Ministers of Finance.

As for next steps, the Treasury is making enquires with potential candidates based on the list we previously supplied to the Minister. Once we have confirmed interest from suitable candidates, we will brief the Minister and seek approval to consult the Associate Ministers of Finance. Given the challenge securing candidates to date and the Minister's openness to adjusting the timing of the review, we plan to explore different approaches to the review where necessary to secure strong candidates (eg, pushing out the timing of the review, alternative ways to gain international and New Zealand perspectives). We are working to the following timeline:

- By end the of October – Advice to the Minister of Finance recommending reviewers and seeking approval to consult the Associate Ministers of Finance.
- Early November – Consultation with the Associate Ministers of Finance.
- November – Finalising contracts with the reviewers.
- From early December – Review can begin. The actual start and end dates for the review will depend on the candidates' availability.
- June 2026 – We are currently intending this to be the latest date for completing the review.

Thanks and happy to discuss.

Sam

**Sam Thornton | Te Tai Ōhanga The Treasury**

Macroeconomic and Fiscal Policy, Senior Analyst  
Budget and Fiscal Strategy

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treasury.govt.nz | LinkedIn | Youtube



I work irregular hours:

Mon	Tue	Wed	Thu	Fri
7.30-2	8.30-5	7.30-2	8.30-5	9-3.30 or not working (alternating fortnightly)

[SEEMail]

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**From:** Sam Thornton [TSY]  
**Sent:** Wednesday, 3 December 2025 12:21 pm  
**To:** 'Yi Jin'  
**Cc:** Alex Hamilton [TSY]  
**Subject:** RE: MoF comment: independent review of monetary policy

July 2026 is the earliest Dr Orphanides could complete the review. A later deadline is fine from Dr Orphanides' perspective.

---

**From:** Yi Jin <Yi.Jin@parliament.govt.nz>  
**Sent:** Wednesday, 3 December 2025 12:16 pm  
**To:** Sam Thornton [TSY] <Sam.Thornton@treasury.govt.nz>  
**Cc:** Alex Hamilton [TSY] <alex.hamilton@treasury.govt.nz>  
**Subject:** RE: MoF comment: independent review of monetary policy

Thanks Sam. I'll try get more insight today.

Key messages being:

- any insight MoF may have as to what she means when she says "can we discuss any alternative options to Dr Munro"
- note that Dr Munro and Dr Orphanides are likely to come as a package deal
- the alternative is TSY can go back to the drawing board, but there will be significant risk to **the July 2026 deadline**, and it will be hard to find a NZ monetary expert without the risk of perceptions of bias.
- She might want to test in her 1:1 with Dr Breman today if Dr Breman thinks there are suitable international monetary policy experts.

Can you remind me? How did we land on the July 2026 deadline? I recall MoF saying this at a recent banking matters.

Best, Yi

---

**From:** Sam Thornton [TSY] <[Sam.Thornton@treasury.govt.nz](mailto:Sam.Thornton@treasury.govt.nz)>  
**Sent:** Wednesday, 3 December 2025 11:35 AM  
**To:** Yi Jin <[Yi.Jin@parliament.govt.nz](mailto:Yi.Jin@parliament.govt.nz)>  
**Cc:** Alex Hamilton [TSY] <[alex.hamilton@treasury.govt.nz](mailto:alex.hamilton@treasury.govt.nz)>  
**Subject:** FW: MoF comment: independent review of monetary policy

[IN-CONFIDENCE]

Hi Yi

Thanks for the chat yesterday.

To assist you in any discussions today, and as background for a further discussion with you soon, below is our current thinking on next steps:

- **Search for alternative reviewer:** We can go back and search for alternative NZ reviewers. The fastest and best option is likely to be to Alan Bollard but would rely on the Minister managing the Associate Minister's feedback. Alternatively, if the Office has any views on the candidates previously considered

(see attached) or alternatives, we can follow up on them. I note that we have found it challenging to find a New Zealand monetary policy expert without the risk of perceptions of bias.

- **Dr Munro's role on the review:** We expect Dr Orphanides will be selective about who he works with and may withdraw his interest in the review if Dr Munro isn't the NZ reviewer. A possible solution is to retain Dr Munro on the review as a supporting consultant. We think Dr Munro would make a valuable contribution to the review in this role and would mean the review will not need extra external analytical support. Any views from the Office on this approach would be helpful.
- **Governor's views on the reviewer:** We still think it is important to test Dr Breman's views on the reviewers, and the alignment of the review with her plans. If the Minister doesn't discuss the review with Dr Breman today, we will try to use Iain's meeting with Dr Breman next week to test her view on the reviewers. Dr Breman may have international connections she can leverage if Dr Orphanides' candidacy falls-through.
- **Timing of the review:** As noted in the recent TR, Dr Orphanides thinks the July 2026 deadline will need to be pushed out if the review doesn't get underway in December. We'll do whatever we can to make it happen, but I just wanted to reiterate the timing risks. If you have any intel about the Minister's view on the timing of the review, that would be helpful.

Shall we discuss next steps tomorrow (following any discussions with the Minister today)? I'm free until 1pm, except 10.30-11.15am. What suits you?

Thanks  
Sam

### Sam Thornton | Te Tai Ōhanga The Treasury

Macroeconomic and Fiscal Policy, Senior Analyst  
Budget and Fiscal Strategy

tau waea phone: s9(2)(k) | waea pūkoro mobile: s9(2)(g)(ii) | imēra email: [sam.thornton@treasury.govt.nz](mailto:sam.thornton@treasury.govt.nz)  
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[SEEMail]

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**From:** Yi Jin <[Yi.Jin@parliament.govt.nz](mailto:Yi.Jin@parliament.govt.nz)>  
**Sent:** Monday, 1 December 2025 9:34 am  
**To:** Sam Thornton [TSY] <[Sam.Thornton@treasury.govt.nz](mailto:Sam.Thornton@treasury.govt.nz)>; Alex Hamilton [TSY] <[alex.hamilton@treasury.govt.nz](mailto:alex.hamilton@treasury.govt.nz)>  
**Cc:** ^Parliament: Ben Gaukrodger <[ben.gaukrodger@parliament.govt.nz](mailto:ben.gaukrodger@parliament.govt.nz)>; Serena Coxhead [TSY] <[Serena.Coxhead@treasury.govt.nz](mailto:Serena.Coxhead@treasury.govt.nz)>  
**Subject:** MoF comment: independent review of monetary policy

Hi Sam and Alex

Hope you had a lovely weekend. MoF considered T2025/2984 over the weekend but left the report unsigned. She asked: "can we discuss any alternative options to Dr Munro please".

Btw - I've not put the attached AM (to support her 1:1 with the Governor) to MoF yet. I propose we leave the attached unchanged but highlight that TSY are exploring alternative options to Dr Munro in my cover note.

Thanks  
Yi .

Yi Jin

*Private Secretary (Finance)*

s9(2)(g)(ii)

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**IN-CONFIDENCE****Independent review of monetary policy: New Zealand candidates considered but not progressed****Top New Zealand candidates from the original long list [T2025/1665 refers]**

<b>Person</b>	<b>Qualifying characteristics</b>	<b>Reason not progressed</b>
<b>Alan Bollard</b>	Governor of the Reserve Bank of New Zealand from 2002 to 2012, including during the Global Financial Crisis, Secretary to the New Zealand Treasury from 1997-2002, Chair of the New Zealand Infrastructure Commission 2019-2024. Currently a Commissioner at the Tertiary Education Commission, amongst other directorships.	Concerns raised through consultation with the Associate Ministers about Dr Bollard's potential conflict of interest in relation to his role as a Director of the China Construction Bank (NZ).
<b>David Archer</b>	Former Reserve Bank Assistant Governor, former Head of the Central Banking Studies unit at the Bank for International Settlements. International expert on the governance arrangements and institutional design features of central banks.	Treasury concerns about perceptions of bias given Mr Archer is involved in an ongoing dispute between the Reserve Bank and the trustees of the RBNZ staff superannuation and provident fund.
s9(2)(a) and s9(2)(b)(ii)		

**Other potential New Zealand candidates from the original long list [T2025/1665 refers]**

<b>Person</b>	<b>Qualifying characteristics</b>	<b>Reason not progressed</b>
<b>John Whitehead</b>	Secretary to the Treasury from 2003 to 2011, former executive Director on the Board of the World Bank Group, Commissioner on Phase 1 of the Royal Commission COVID-19 Lessons Learned.	Mr Whitehead declined to be considered for the role citing lack of availability. Mr Whitehead noted he would be available from June 2026.
s9(2)(a) and s9(2)(b)(ii)		

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		s9(2)(a) and s9(2)(b)(ii)
<b>Cameron Bagrie</b>	Chief Economist at ANZ 2006-2011.	Treasury did not progress Mr Bagrie's candidacy as he was under active consideration for another role in relation to the Reserve Bank. s9(2)(g)(i)
s9(2)(a)		

**Other candidates considered but not included on the original long list**

Person	Description	Reason not progressed
s9(2)(a)		

**IN-CONFIDENCE**

		s9(2)(a)
s9(2)(a)		
<b>Arthur Grimes</b>	Reserve Bank of New Zealand Chairman from 2003-2013, Former Chief Economist at both the Reserve Bank of New Zealand and the National Bank of New Zealand.	Treasury did not include Mr Grimes on the original long list due to risks of perceptions of bias given his public criticisms of the Reserve Bank's monetary policy response to the COVID-19 pandemic and the dual mandate to achieve maximum sustainable employment.
s9(2)(a)		

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**From:** Yi Jin <Yi.Jin@parliament.govt.nz>  
**Sent:** Monday, 8 December 2025 9:58 am  
**To:** Sam Thornton [TSY]; Alex Hamilton [TSY]  
**Cc:** ^Parliament: Ben Gaukrodger; s9(2)(a)  
**Subject:** T2025/3079 - signed  
**Attachments:** 1003\_001.pdf

Good morning Sam and Alex

I attach the signed copy of T2025/3079 for your records.

The Minister has agreed that TSY engages Dr Arthur Grimes and David Archer to test their interest in the role of the New Zealand reviewer.

Happy to discuss what this means for timeframes, the international reviewer, and next steps, if useful.

Best, Yi

*Yi Jin*  
*Private Secretary (Finance)*  
s9(2)(g)(ii)

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**From:** ^Parliament: Yi Jin  
**Sent:** Thursday, 22 January 2026 5:05 pm  
**To:** Maisie Hance; ^Parliament: Jas Singh  
**Cc:** ^Parliament: Ben Gaukrodger; ^Parliament: Grant Johnston  
**Subject:** Independent review into monetary policy

Hi Maisie and Jas

At WAM, MoF confirmed that she would like to proceed with the appointment of Athanasios Orphanides and David Archer as the reviewers into the independent review of monetary policy. MoF also confirmed at WAM that she would like to inform her Ministerial Colleagues (Ministers Seymour, Jones, and Bishop) of her decision.

Could you please include the below as a FYI in your weekend bags for your AMoFs / inform relevant people in your office/s?

Thanks,  
Yi

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### **Selection of reviewers to conduct an independent review of monetary policy**

The Minister of Finance's has selected Athanasios Orphanides and David Archer to conduct an independent review of monetary policy during the COVID-19 period.

In August 2025 Cabinet agreed to establish an independent review of monetary policy to support accountability and public confidence in the operational independence of monetary policy, and to inform the ongoing effectiveness of monetary policy [ECO-25-MIN-0127 refers]. The Cabinet paper noted that the review is to be led by two monetary policy experts: one international candidate and one New Zealand candidate.

The Minister has selected the following reviewers:

- **Athanasios Orphanides as the international reviewer.** Dr Orphanides is currently a professor at the Massachusetts Institute of Technology (MIT) and was Governor of the Central Bank of Cyprus from 2007 to 2012. He was also a member of the Governing Council of the European Central Bank, responsible for formulating monetary policy for the euro area, between 2008 and 2012. He previously worked as a senior adviser to the US Federal Reserve Board of Governors and holds a PhD in economics from MIT. Dr Orphanides has reviewed monetary policy in other jurisdictions, including South Africa, the euro area, and Australia.
- **David Archer as the New Zealand reviewer.** Mr Archer is an expert on the governance arrangements and institutional design features of central banks. He is a former Reserve Bank assistant governor (until 2004), including responsibility for monetary policy analysis and advice, forecasting, and research and as a member of the non-statutory monetary policy committee. More recently, he served as Head of the Central Banking Studies Unit at the Bank for International Settlements (until 2022). Mr Archer has a deep knowledge of central bank institutional design which would complement Dr Orphanides' experience as a monetary policy decision-maker.

The deadline for the review's final report is to be confirmed, but the Minister's intention is that it will be complete in mid-2026.

*Yi Jin*

*Private Secretary (Finance)*

s9(2)(g)(ii)

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**From:** ^Parliament: Yi Jin  
**Sent:** Thursday, 22 January 2026 5:07 pm  
**To:** DSOAdvisors  
**Subject:** Independent review into monetary policy

Hi there,

I am emailing to give you a heads up on reviewers for the independent review of monetary policy. I'll pop this as a FYI item in the Minister's weekend bag.

Thanks  
Yi

### **Selection of reviewers to conduct an independent review of monetary policy**

The Minister of Finance's has selected Athanasios Orphanides and David Archer to conduct an independent review of monetary policy during the COVID-19 period.

In August 2025 Cabinet agreed to establish an independent review of monetary policy to support accountability and public confidence in the operational independence of monetary policy, and to inform the ongoing effectiveness of monetary policy [ECO-25-MIN-0127 refers]. The Cabinet paper noted that the review is to be led by two monetary policy experts: one international candidate and one New Zealand candidate.

The Minister has selected the following reviewers:

- **Athanasios Orphanides as the international reviewer.** Dr Orphanides is currently a professor at the Massachusetts Institute of Technology (MIT) and was Governor of the Central Bank of Cyprus from 2007 to 2012. He was also a member of the Governing Council of the European Central Bank, responsible for formulating monetary policy for the euro area, between 2008 and 2012. He previously worked as a senior adviser to the US Federal Reserve Board of Governors and holds a PhD in economics from MIT. Dr Orphanides has reviewed monetary policy in other jurisdictions, including South Africa, the euro area, and Australia.
- **David Archer as the New Zealand reviewer.** Mr Archer is an expert on the governance arrangements and institutional design features of central banks. He is a former Reserve Bank assistant governor (until 2004), including responsibility for monetary policy analysis and advice, forecasting, and research and as a member of the non-statutory monetary policy committee. More recently, he served as Head of the Central Banking Studies Unit at the Bank for International Settlements (until 2022). Mr Archer has a deep knowledge of central bank institutional design which would complement Dr Orphanides' experience as a monetary policy decision-maker.

The deadline for the review's final report is to be confirmed, but the Minister's intention is that it will be complete in mid-2026.

Yi Jin  
Private Secretary (Finance)

s9(2)(g)(ii)

**From:** Yi Jin <Yi.Jin@parliament.govt.nz>  
**Sent:** Tuesday, 27 January 2026 2:24 pm  
**To:** Udayan Mukherjee [TSY]; Rory Chignell [TSY]  
**Cc:** Alex Hamilton [TSY]; Sam Thornton [TSY]; Lucy Gentles [TSY]  
**Subject:** action points from the last WAM

Hi Rory

Please see below the actions from the RBNZ matters item for last week’s WAM.

Action	Timeframe	Secondee	TSY contact	Status
s9(2)(f)(iv)				
In relation to the Independent Review of Monetary Policy item: <ul style="list-style-type: none"> <li>inform Associate Ministers of Finances of MoF’s decision to select Athanasios Orphanides and David Archer to conduct an independent review of monetary policy during the COVID-19 period.</li> </ul>	By 26 January	Yi Jin	Alex Hamilton	Complete

Thanks  
 Yi

Yi Jin  
 Private Secretary (Finance)

s9(2)(g)(ii)

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**From:** ^Parliament: Yi Jin  
**Sent:** Tuesday, 3 February 2026 9:42 am  
**To:** ^Parliament: Ben Gaukrodger; Sam Thornton [TSY]  
**Subject:** FW: Call for Agenda items for Macro/Office FN Meeting 5 February 2026

Ben – just a FYI. In this weekend’s bag, we’re hoping to pop a wrap-up TR containing the proactive release of relevant material, letter from the Minister of Finance to inform the Reserve Bank of the review, and perhaps a draft press release (Nick has been given a heads-up).

Also, as raised with MoF last week, we’re aiming for the report to be publicly released by early September. Sam whipped up the below table with key dates.

Milestone	Proposed date
Interviews with former MPC members and others	15-20 March
Draft report provided to the Treasury, RBNZ and former MPC members for two-week consultation	12 August
Final report delivered to the Minister, the Treasury and the RBNZ	26 August
Meeting between the reviewers and the Minister to brief on the final report	3 September (date TBC pending Minister’s interest and availability)
Report publicly released	Early September

Giving you a heads-up as the bag would have gone by the time we have our macro catch up.

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**From:** Ben Gaukrodger <Ben.Gaukrodger@parliament.govt.nz>  
**Sent:** Tuesday, 3 February 2026 8:45 AM  
**To:** Cindy Zhu [TSY] <Cindy.Zhu@treasury.govt.nz>  
**Cc:** Sam Thornton [TSY] <sam.thornton@treasury.govt.nz>; Amy Spittal [TSY] <amy.spittal@treasury.govt.nz>; Melissa van Rensburg [TSY] <melissa.vanrensburg@treasury.govt.nz>; Yi Jin <Yi.Jin@parliament.govt.nz>  
**Subject:** RE: Call for Agenda items for Macro/Office FN Meeting 5 February 2026

Hi Cindy,

A few specific things I’d be keen for an update on that are probably on the agenda already in some form:

- RBNZ independent review

Out of scope

Cheers  
Ben

**From:** Cindy Zhu [TSY] <[Cindy.Zhu@treasury.govt.nz](mailto:Cindy.Zhu@treasury.govt.nz)>  
**Sent:** Monday, 2 February 2026 11:32 AM  
**To:** Ash Dunstan [TSY] <[Ash.Dunstan@treasury.govt.nz](mailto:Ash.Dunstan@treasury.govt.nz)>; Melissa van Rensburg [TSY] <[Melissa.vanRensburg@treasury.govt.nz](mailto:Melissa.vanRensburg@treasury.govt.nz)>; Sam Thornton [TSY] <[Sam.Thornton@treasury.govt.nz](mailto:Sam.Thornton@treasury.govt.nz)>; Sarah Lindsey [TSY] <[Sarah.Lindsey@treasury.govt.nz](mailto:Sarah.Lindsey@treasury.govt.nz)>; Peter Mawson [TSY] <[Peter.Mawson@treasury.govt.nz](mailto:Peter.Mawson@treasury.govt.nz)>; Peter Gardiner [TSY] <[Peter.Gardiner@treasury.govt.nz](mailto:Peter.Gardiner@treasury.govt.nz)>; Christie Smith [TSY] <[Christie.Smith@treasury.govt.nz](mailto:Christie.Smith@treasury.govt.nz)>; Hannah Singleton [TSY] <[Hannah.Singleton@treasury.govt.nz](mailto:Hannah.Singleton@treasury.govt.nz)>; Natalie Labuschagne [DPMC] <[Natalie.Labuschagne@dpmc.govt.nz](mailto:Natalie.Labuschagne@dpmc.govt.nz)>; Yi Jin <[Yi.Jin@parliament.govt.nz](mailto:Yi.Jin@parliament.govt.nz)>; Alex Hamilton [TSY] <[alex.hamilton@treasury.govt.nz](mailto:alex.hamilton@treasury.govt.nz)>; Ben Gaukrodger <[Ben.Gaukrodger@parliament.govt.nz](mailto:Ben.Gaukrodger@parliament.govt.nz)>; Simon McLoughlin [TSY] <[Simon.McLoughlin@treasury.govt.nz](mailto:Simon.McLoughlin@treasury.govt.nz)>  
**Cc:** Amy Spittal [TSY] <[Amy.Spittal@treasury.govt.nz](mailto:Amy.Spittal@treasury.govt.nz)>; Paul Simperingham [TSY] <[Paul.Simperingham@treasury.govt.nz](mailto:Paul.Simperingham@treasury.govt.nz)>; Lucy Gentles [TSY] <[Lucy.Gentles@treasury.govt.nz](mailto:Lucy.Gentles@treasury.govt.nz)>; Adrian Katz [TSY] <[Adrian.Katz@treasury.govt.nz](mailto:Adrian.Katz@treasury.govt.nz)>; Kamlesh Patel [TSY] <[Kamlesh.Patel@treasury.govt.nz](mailto:Kamlesh.Patel@treasury.govt.nz)>  
**Subject:** RE: Call for Agenda items for Macro/Office FN Meeting 5 February 2026

Kia ora koutou,

Just a kind reminder—if you have any agenda items, please send them to me by COB **Tuesday 3<sup>rd</sup> February**.

Thanks in advance.

Regards  
Cindy

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**From:** Cindy Zhu [TSY]  
**Sent:** Monday, 26 January 2026 1:57 pm  
**To:** Ash Dunstan [TSY] <[Ash.Dunstan@treasury.govt.nz](mailto:Ash.Dunstan@treasury.govt.nz)>; Melissa van Rensburg [TSY] <[Melissa.vanRensburg@treasury.govt.nz](mailto:Melissa.vanRensburg@treasury.govt.nz)>; Sam Thornton [TSY] <[Sam.Thornton@treasury.govt.nz](mailto:Sam.Thornton@treasury.govt.nz)>; Sarah Lindsey [TSY] <[Sarah.Lindsey@treasury.govt.nz](mailto:Sarah.Lindsey@treasury.govt.nz)>; Peter Mawson [TSY] <[Peter.Mawson@treasury.govt.nz](mailto:Peter.Mawson@treasury.govt.nz)>; Peter Gardiner [TSY] <[Peter.Gardiner@treasury.govt.nz](mailto:Peter.Gardiner@treasury.govt.nz)>; Christie Smith [TSY] <[Christie.Smith@treasury.govt.nz](mailto:Christie.Smith@treasury.govt.nz)>; Hannah Singleton [TSY] <[Hannah.Singleton@treasury.govt.nz](mailto:Hannah.Singleton@treasury.govt.nz)>; Natalie Labuschagne [DPMC] <[Natalie.Labuschagne@dpmc.govt.nz](mailto:Natalie.Labuschagne@dpmc.govt.nz)>; ^Parliament: Yi Jin <[yi.jin@parliament.govt.nz](mailto:yi.jin@parliament.govt.nz)>; Alex Hamilton [TSY] <[alex.hamilton@treasury.govt.nz](mailto:alex.hamilton@treasury.govt.nz)>; ^Parliament: Ben Gaukrodger <[ben.gaukrodger@parliament.govt.nz](mailto:ben.gaukrodger@parliament.govt.nz)>; [Simon.McLoughlin@treasury.govt.nz](mailto:Simon.McLoughlin@treasury.govt.nz)  
**Cc:** Amy Spittal [TSY] <[Amy.Spittal@treasury.govt.nz](mailto:Amy.Spittal@treasury.govt.nz)>; Paul Simperingham [TSY] <[Paul.Simperingham@treasury.govt.nz](mailto:Paul.Simperingham@treasury.govt.nz)>; Lucy Gentles [TSY] <[Lucy.Gentles@treasury.govt.nz](mailto:Lucy.Gentles@treasury.govt.nz)>; Adrian Katz [TSY] <[Adrian.Katz@treasury.govt.nz](mailto:Adrian.Katz@treasury.govt.nz)>; Kamlesh Patel [TSY] <[Kamlesh.Patel@treasury.govt.nz](mailto:Kamlesh.Patel@treasury.govt.nz)>  
**Subject:** Call for Agenda items for Macro/Office FN Meeting 5 February 2026

[UNCLASSIFIED]

Kia ora koutou,

Please propose any items for this meeting by **COP Tuesday 3<sup>rd</sup> February** via reply email using the template below.

Template for items:

	Item
1	Economic and Tax Forecasts
2	Fiscal Strategy/Budget

3	RBNZ Issues • .
4	AOB

Any questions, please don't hesitate to reach out.

Ngā mihi

**Cindy Zhu | Te Tai Ōhanga – The Treasury**  
**Team Assistant, Macroeconomic & Fiscal Policy**  
**Budget & Fiscal Strategy, Budget & Fiscal Performance**

tau waea phone: s9(2)(k) | ĩmēra email: [cindy.zhu@treasury.govt.nz](mailto:cindy.zhu@treasury.govt.nz)

[treasury.govt.nz](http://treasury.govt.nz) | [LinkedIn](#) | [Youtube](#)



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**From:** Simon McLoughlin [TSY]  
**Sent:** Wednesday, 11 February 2026 4:54 pm  
**To:** ^Parliament: Yi Jin; Lucy Gentles [TSY]; Sam Thornton [TSY]; Alex Hamilton [TSY]  
**Cc:** ^Parliament: Ben Gaukrodger  
**Subject:** RE: independent review of monetary policy timeline  
**Attachments:** Advice on the independent review of monetary policy to MoF (1).docx

Hi Yi

Please find attached the requested table – apologies for delay we had some IT issues at this end. Also note the caveat that this has been done at pace.

Any questions let us know,

Cheers  
Simon

[IN-CONFIDENCE]

**Simon McLoughlin | Te Tai Ōhanga The Treasury**

Macroeconomic and Fiscal Policy, Manager  
Budget and Fiscal Performance

waea pūkoro mobile: s9(2)(g)(ii) | imēra email: simon.mcloughlin@treasury.govt.nz

[treasury.govt.nz](http://treasury.govt.nz) | [LinkedIn](#) | [Youtube](#)

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**From:** Yi Jin <Yi.Jin@parliament.govt.nz>  
**Sent:** Wednesday, 11 February 2026 3:22 pm  
**To:** Lucy Gentles [TSY] <Lucy.Gentles@treasury.govt.nz>; Sam Thornton [TSY] <Sam.Thornton@treasury.govt.nz>; Simon McLoughlin [TSY] <Simon.McLoughlin@treasury.govt.nz>; Alex Hamilton [TSY] <alex.hamilton@treasury.govt.nz>  
**Cc:** ^Parliament: Ben Gaukrodger <ben.gaukrodger@parliament.govt.nz>  
**Subject:** independent review of monetary policy timeline  
**Importance:** High

Kia ora koutou

Would you please be able to compile a timeline of when MoF received advice on the independent review of monetary policy. I understand from Ben that the earliest point she received advice on a potential review was February 2024.

If you could please fill out/ expand on the below table that would be fabulous.

MoF has requested this herself, we would be very grateful if you could populate the table asap.

Thanks  
Yi

Date	Summary of advice
February 2024	


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**From:** Ben Gaukrodger <[Ben.Gaukrodger@parliament.govt.nz](mailto:Ben.Gaukrodger@parliament.govt.nz)>  
**Sent:** Wednesday, 11 February 2026 3:08 PM  
**To:** Felix Desmarais <[Felix.Desmarais@parliament.govt.nz](mailto:Felix.Desmarais@parliament.govt.nz)>; Yi Jin <[Yi.Jin@parliament.govt.nz](mailto:Yi.Jin@parliament.govt.nz)>  
**Subject:** RE:

Hi Felix,

Yes, I'm sure we can pull that together. It is a bit messy and goes back to Jan 2024 but should be straightforward to do.

Cheers  
Ben

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**From:** Felix Desmarais <[Felix.Desmarais@parliament.govt.nz](mailto:Felix.Desmarais@parliament.govt.nz)>  
**Sent:** Wednesday, 11 February 2026 3:06 PM  
**To:** Ben Gaukrodger <[Ben.Gaukrodger@parliament.govt.nz](mailto:Ben.Gaukrodger@parliament.govt.nz)>  
**Subject:**

Can the Minister please have a run down of what advice she received and when on the Covid-19 monetary review? She's just asked for it.

Thanks so much



**Felix Desmarais**  
**Press Secretary | Office of Hon. Nicola Willis**  
 Minister of Finance  
 Minister for Economic Growth  
 Minister for Social Investment

---

M: s9(2)(g)(ii)  
 E: felix.desmarais@parliament.govt.nz  
 Parliament Buildings, Wellington 6160, New Zealand

**Advice on the independent review of monetary policy to MoF**

<b>Date office received advice</b>	<b>Reference</b>	<b>Title</b>	<b>Summary of advice</b>
2 February 2024	T2023/2017	External Review of Monetary Policy	The Treasury provided advice on the establishment of a monetary policy review in early 2024. In this advice, we recommended a time-limited review with a clearly defined scope that lists a number of topics to be considered. No decisions were made to commission a review or on its scope at that time.
15 May 2025	T2025/1230	Independent review of monetary policy: Terms of reference and potential reviewers	This report sought decisions on the establishment of the independent review of monetary policy (the Review), including the draft Cabinet paper, proposed terms of reference of the Review and potential reviewers.
26 June 2025	T2025/1665	Independent review of monetary policy: Revised terms of reference and list of potential reviewers	This report sought decisions on the establishment of the Review. In line with your feedback on previous advice, a revised Cabinet paper and draft terms of reference and a list of potential New Zealand reviewers were attached.
29 July 2025	T2025/1908	Independent review of monetary policy: Update on consultation and next steps	This report updated you on consultation on the proposal to establish the Review and sought approval to lodge a paper for consideration by Cabinet in August.
11 September 2025	T2025/2389	Independent review of monetary policy: Proposed reviewers	This report sought your approval to select two experts to conduct the independent review of monetary policy and to begin consultation with the Associate Ministers of Finance (Hons Seymour, Jones, and Bishop).

22 September 2025	T2025/2477	Independent review of monetary policy: Appointments	This AM provided further options for reviewers following timing constraints on Professor Forbes' availability.
26 November 2025	T2025/2984	Independent review of monetary policy: Proposed reviewers	Treasury recommended the appointment of Athanasios Orphanides as the international reviewer and Anella Muro as the New Zealand reviewer. You indicated you were seeking greater constructive tension between the reviewers.
5 December 2025	T2025/3079	Independent review of monetary policy: Options for New Zealander reviewer	This report provided an updated list of all candidates previously considered for the New Zealand reviewer role.
15 December 2025	T2025/3142	Independent review of monetary policy: Proposals for reviewers	This report sought your approval to select two experts to jointly conduct the Review and to consult the Associate Ministers of Finance. You provided approval at WAM
3 February 2026	T2026/137	Independent review of monetary policy – announcements and proactive release	This report updated you on the Review and next steps including: <ul style="list-style-type: none"> <li>a seeking your approval to write to the Reserve Bank to advise it that the review has started,</li> <li>b the announcement of the review, including seeking your agreement to proactively release the Cabinet paper and material relating to consultation with the Reserve Bank.</li> </ul>

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**From:** ^Parliament: Yi Jin  
**Sent:** Wednesday, 11 February 2026 11:53 pm  
**To:** Alex Hamilton [TSY]; ^Parliament: Ben Gaukrodger  
**Cc:** Simon McLoughlin [TSY]  
**Subject:** RE: Advice on the independent review of monetary policy to MoF - recut

Many thanks Alex! Confirming that we've reviewed and have provided it to the Minister.

---

**From:** Alex Hamilton [TSY] <alex.hamilton@treasury.govt.nz>  
**Sent:** Wednesday, 11 February 2026 11:15 PM  
**To:** Yi Jin <Yi.Jin@parliament.govt.nz>; Ben Gaukrodger <Ben.Gaukrodger@parliament.govt.nz>  
**Cc:** Simon McLoughlin [TSY] <Simon.McLoughlin@treasury.govt.nz>  
**Subject:** Advice on the independent review of monetary policy to MoF - recut

[IN-CONFIDENCE]

Yi,

The attached document has:

- a simple summary timeline by month of the key events and actions taken.
- a more detailed timeline of advice, events and actions taken (framed around when we put up advice).

In the time available, I've done my best to provide something that is wieldy but gives the story. It has not had a thorough QA and would benefit from your/Ben's eyes. In particular,

- how you would like to capture back and forth between office/MOF/TSY on risks to the delivery of the review and options to manage
- exactly when the call to delay the report back date was made.

A question that comes to mind is 'why has this taken so long'. I think that the best answer is that finding the right candidates is critical for a high-quality review that supports accountability and ensures that lessons are learnt.

I hope that this is helpful for tomorrow.

Thanks,

Alex

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*Summary timeline*

Date	What happened and actions taken
August 2025	<p>Cabinet approval to establish review</p> <p>Cabinet agreed to terms of reference</p> <p>Treasury ran assessment and procurement process</p>
September 2025	<p>You confirmed your first choices for lead international (Kristin Forbes) and New Zealand reviewers (Alan Bollard)</p> <p>Lead choice for international reviewer fell through due incompatible schedule with NZ reviewer</p> <p>Back up international reviewer fell through <span style="background-color: #cccccc;">s9(2)(a)</span></p> <p>You confirmed you were comfortable to delay the final report date in order to find high quality reviewers.</p>
October 2025	Treasury ran a second procurement process to identify alternative candidates
November 2025	You received advice on 27 November with Treasury's recommendations for reviewers
December 2025	<p>You did not agree with Treasury's recommendation for a New Zealand reviewer (Anella Munro)</p> <p>You requested further advice on alternative domestic reviewers</p> <p>You agreed that Treasury should contact two alternative New Zealand reviewers (Arthur Grimes, David Archer)</p>
January 2026	You confirmed that you would like to appoint David Archer and Athanasios Orphanides

*Re-cut of material: post cabinet agreement*

Date	Summary	Action taken after paper
20 August 2025	Cabinet paper sought agreement to establish an independent review of the monetary policy response to the COVID-19 pandemic.	<p>Treasury ran a competitive procurement process to identify candidates based on a shortlist approved by you in July.</p> <p>Treasury removed several candidates from the shortlist following engagement with your office and added s9(2)(a) and s9(2)(b)(ii) .</p>
11 September 2025	This report sought your approval to select two experts to conduct the independent review of monetary policy and to begin consultation with the Associate Ministers of Finance (Hons Seymour, Jones, and Bishop).	<p>Several candidates were not available in the time frame for the review.</p> <p>You confirmed Treasury's selection of:</p> <ul style="list-style-type: none"> <li>-Kirstin Forbes as lead reviewer for the independent review.</li> <li>-Alan Bollard as the New Zealander review for the independent review.</li> </ul> <p>You confirmed s9(2)(a) as a candidate if Kirstin Forbes candidacy fell through.</p> <p>You wrote to Associate Ministers of Finance to seek their approval of candidates by 22 September.</p>
22 September 2025	This AM provided further options for reviewers following timing constraints on Professor Forbes' availability.	<p>You discussed alternative options to progress the review with Treasury officials at a meeting after 22 September</p> <p>In late September the leading candidates from the initial phase of procurement– Forbes, Bollard and s9(2)(a) - fell through.</p>

		<p>You confirmed that you were comfortable to delay the review end date to find high quality reviewers.</p> <p>In October, Treasury ran a second procurement phase to identify alternative international and New Zealand reviewers.</p>
27 November 2025	Treasury recommended the appointment of Athanasios Orphanides as the international reviewer and Anella Muro as the New Zealand reviewer.	<p>In feedback on this report, you confirmed you were not satisfied with Treasury's recommendation and requested further advice on alternative New Zealand reviewers.</p> <p>Treasury carried out a further search to identify suitable candidates who had previously been considered for the New Zealand reviewer role.</p> <p>Treasury worked with the leading international candidate to understand compatibility with potential New Zealand candidates.</p>
5 December 2025	This report provided an updated list of all candidates previously considered for the New Zealand reviewer role.	<p>You agreed that Treasury should engage Arthur Grimes and David Archer to test their interest in the role of New Zealand reviewer.</p> <p>You indicated that you did not wish to advance Alan Bollard as a candidate.</p>
15 December 2025	This report sought your approval to select two experts to jointly conduct the Review and to consult the Associate Ministers of Finance.	Treasury recommended that you appoint David Archer as the New Zealand reviewer and Athanasios as the international reviewer.
3 February 2026	This report updated you on the Review and next steps including: <ul style="list-style-type: none"> <li>a seeking your approval to write to the Reserve Bank to advise it that the review has started,</li> </ul>	At a meeting with Treasury officials on 22 January you agreed to appoint Athanasios and David Archer to lead the review.

	<p>a the announcement of the review, including seeking your agreement to proactively release the Cabinet paper and material relating to consultation with the Reserve Bank.</p>	
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