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June 4, 2020

**Joint Statement by Mr. Alkhareif, Mr. Chikada, Mr. Trabinski, Mr. Keshava, Mr. Imashov, and Mr. Shimada on Papua New Guinea  
(Preliminary)  
Executive Board Meeting 20/67  
June 5, 2020**

We thank staff for the report and Mr. Ray and Ms. Johnson for their insightful Buff statement. While Papua New Guinea (PNG) launched a Staff-Monitored Program (SMP) to help address significant long-standing economic challenges last February, the country is currently facing an urgent BOP need due to the COVID-19 pandemic. **We thus support the request for disbursement under the Rapid Credit Facility (RCF). We especially welcome that the authorities completed several prior actions**, which we see as essential for ensuring appropriate and transparent use of Fund resources. In addition, these actions show that the authorities remain committed to the objectives of the SMP. We broadly agree with the staff appraisal and provide the following comments for emphasis.

**It is encouraging that the authorities have taken strong measures to contain the risk of a COVID-19 outbreak**, given the fragile healthcare system in the country. We also welcome that the authorities are appropriately utilizing monetary and financial sector policies given the constrained fiscal space, with the already high public debt. Regarding the execution of COVID-19 pandemic measures, we emphasize the importance of transparency and accountability as well as careful communication strategies to gain public support during containment and mitigation as well as recovery phases. In this regard, we are encouraged that the authorities are showing their commitment for transparency and accountability for spending, by regular posting on dedicated website the details of COVID-related government procurement and committing to the conduct and publication of an audit by an independent and reputable auditor.

**While we welcome that the Bank of Papua New Guinea (BPNG) has introduced appropriate measures to support liquidity and credit in the economy, BPNG needs to pay closer attention to the financial sector vulnerabilities.** Considering the complexity of SOE sector and lack of data on the SOEs balance sheets, it is crucial to carefully monitor the asset quality of the banking sector. In this regard, we concur with staff that asset classification and provisioning standards should be maintained.

**We emphasize the importance of the authorities' continued commitment to the objectives of the SMP.** Considering the authorities' mixed track record with respect to past Fund advice and limited institutional capacity, TA by the Fund and other development partners is crucial. Moreover, for sustainable development, fiscal consolidation is needed to put the deficit on a downward path and reduce the public debt ratio. We note that, since PNG is now assessed as at a high level of debt distress and without market access, it does not qualify as a blender, despite relatively high per-capita income. *How does staff assess the prospects of PNG re-gaining market access over the medium term?*

**Last but not least, strengthening governance and reducing corruption remain key.** We encourage the authorities to continue their efforts in this regard and welcome the progress in strengthening the AML/CFT framework. However, challenges remain. In this context, we encourage the authorities to continue enhancing their risk-based supervision of banks to improve AML/CFT compliance. It is also critical to advance SOE reforms and gradually restore currency convertibility and flexibility in line with the SMP, to catalyze other donor financing and maintain debt sustainability. In this regard, we welcome that the authorities completed the delayed structural benchmarks under the SMP as prior actions.

With these remarks, we wish the authorities further success.