

SU/20/117

June 5, 2020

**The Acting Chair's Summing Up
Papua New Guinea—Request for Disbursement Under the Rapid Credit Facility
Executive Board Meeting 20/67
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Executive Directors noted that Papua New Guinea is facing strong headwinds at a time when its economy is already fragile and has limited fiscal space. The COVID-19 pandemic is expected to have a significant negative impact on the domestic economy and the sharp drop in the country's export revenues has given rise to an urgent balance of payments financing need. Directors commended the authorities for their prompt and strong actions to contain the domestic spread of the virus, including supporting the provision of basic services and related medical supplies. They noted that emergency assistance under the Fund's Rapid Credit Facility would help meet the country's immediate financing needs and catalyze financial support from development partners.

Directors noted that the necessary COVID-19 containment measures have had an adverse impact on activity, incomes, and exports, compounding the effects of the weaker external environment. Given Papua New Guinea's very limited fiscal space, they encouraged the authorities to mitigate the economic impact of the crisis through redirection of spending, but also to actively seek concessional financing and grants. Directors welcomed the authorities' intention to benefit from the Debt Service Suspension Initiative. They emphasized that ensuring high standards of transparency and accountability for COVID-related spending will be critical.

Directors supported the Bank of Papua New Guinea's measures to ensure ample liquidity in the financial system, but emphasized the importance of maintaining prudential standards. Careful monitoring of SOE balance sheets is also needed. They encouraged the authorities to take steps to restore currency convertibility and facilitate exchange rate flexibility, especially to address foreign exchange shortages and to reduce the foreign exchange backlog.

Directors emphasized that continued strong commitment to sound policies and structural reforms as envisaged under the Staff-Monitored Program remains essential to Papua New Guinea's longer-term prospects. Efforts should also continue to build resilience to climate change.