

## **Independent State of Papua New Guinea**

### **First Economic and Fiscal Resilience Development Policy Operation**

#### **Chair Summary\***

**October 25, 2018**

The Executive Directors approved a credit in the amount of SDR106.8 million (US\$150 million equivalent) to the Independent State of Papua New Guinea (PNG) for the First Economic and Fiscal Resilience Development Policy Operation on the terms and conditions set out in the President's Memorandum.

Directors broadly endorsed the World Bank's support to the Government of PNG's 100-day economic stimulus plan to reinforce macroeconomic resilience and support inclusive growth. They welcomed the two pillars of the operation, namely: (i) strengthening fiscal management and revenue performance; and (ii) strengthening key building blocks for public financial management and financial inclusion. Directors acknowledged and endorsed the contribution made by the operation to alleviating the fiscal impacts of the February 2018 earthquake, through a frontloading of financing planned for the programmatic series. They encouraged deeper consideration of how disaster risk management might help build resilience to natural and climate related disasters and also encouraged the Bank to engage with the Government on opportunities to improve fiscal regimes in the extractive sector. Directors stressed the importance of the Bank and the Government continuing to engage on the reform process over time, including potentially as commodity prices improve.

Directors appreciated that the operation reflected the deepening of the World Bank's macroeconomic dialogue with the Government. They emphasized the importance of the World Bank and the Government engaging in areas that support inclusive growth in the non-extractives sectors, as well as the importance of enhancing the quality and transparency of public expenditure planning and execution including through the next operation in the series. They inquired about the impact of infrastructure projects on debt burden and how the World Bank can help manage the process. They expected to see this reflected in prudent public expenditure management and a sustained commitment to Public Financial Management reform. They also recommended the integration of gender-focused policy reforms to address economic, financial and social inclusion.

Directors took note of the risks associated with the implementation of these reforms, notably political and governance, macroeconomic, fiduciary, climate vulnerability and institutional and stakeholder risks. They encouraged the Bank to strengthen technical assistance and capacity building activities and underlined the importance of effective donor coordination among the Bank, IMF and other development partners to continue supporting the implementation of reforms, including the exchange rate regime.

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\* This summary is not an approved record