

Press Release

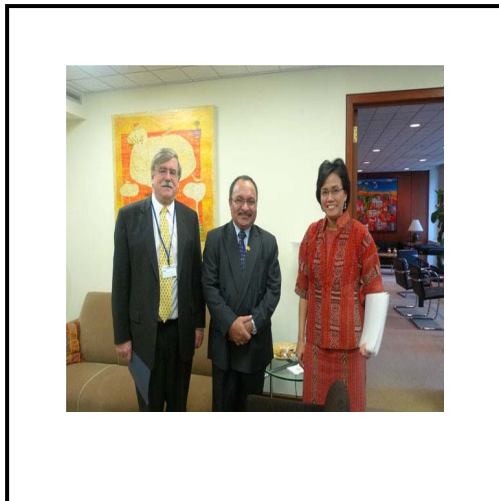
Outcome of 2011 IMF/World Bank Annual Spring Meeting, Washington DC

Thursday, 21st April 2011

Hon. Peter O'Neill, the Minister for Treasury and Finance arrived yesterday from attending the International Monetary Fund (IMF) and World Bank (the Bank) Annual Spring Meetings in Washington DC. It is the first time in 5 years for the Treasurer and Secretary for Treasury to have attended such a high level bilateral meeting as the Annual Board of Governors' meetings take place in late October which usually clash with the preparation of the annual budget.



The Treasurer described the meetings as very successful and expressed general satisfaction on the outcome of the spring meetings, noting his bilateral discussions with the senior management of the IMF and the Bank, including frank discussions with the Managing Director of the World Bank, Mrs. Sri Mulyani Indrawati and Vice President, Mr. Jim Adams. The Treasurer indicated that the relationship with the Bank has not been the best of time in the past, however this has now changed. He commended the Bank for its efforts and continued commitment to rebuilding the relationship with PNG as a mutual and valuable development partner.

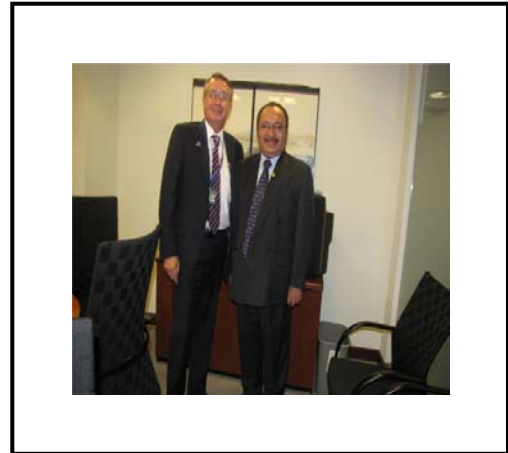


The Bank reaffirmed its commitment to supporting PNG's development agenda outlined in the Development Strategic Plan (2010-2030) and Medium Term Development Plan (2010-2015). It also expressed its appreciation to the Government for the continued support in this regard. The Bank has since increased its presence in the country with recent establishment of the International Financial Corporation (IFC), the commercial investment arm of the Bank, office in Port Moresby. This is a significant step in the right direction as far as raising the profile of PNG as a prospective investment destination for potential investors in the region as well as globally, and the development of vibrant and dynamic private sector

in PNG. The Treasurer, while welcoming the IFC involvement in PNG, emphasized the

importance of developing and strengthening assistance to local entrepreneurs whom he believes are vital to sustaining economic growth and creating employment which ultimately address poverty alleviation and facilitate improved livelihood for Papua New Guineans.

The World Bank has 11 programs currently underway in PNG, which among others includes PNG Productive Partnership in Agriculture Project, Rural Communications Project, Urban Youth Employment Project (UYEP) and Flexible Open Distance Education (FODE) Project. In addition, Treasurer was pleased to announce that the Government has recently granted approval for 2 more projects, (i) the SME Access to Finance Project (establishment of a Risk Sharing Facility) and (ii) the Roads Maintenance and Rehabilitation Phase II Project. The Treasurer, while acknowledging these programs, conveyed the Government's preference for an adequate and sustained financing facility that will directly impact on economic activities. He stressed that the Government wants the Bank to review its financing strategies to focus on few projects with increased funding rather than spreading resources too thinly on too many small loans and thereby not making much impact on the economy.



The Treasurer also stressed the importance to capitalize on the World Bank's comparative advantages in energy and telecommunication financing facilities. He said while PNG has a lot of alternatives on energy sources such as hydro, geothermal and wind energy. Majority of them remain underdeveloped at this stage and the Government would welcome opportunities from development partners, such as the Bank, to develop them and improve the supply of energy in the country. For telecommunication, the IFC has expressed its willingness to work in partnership with PNG Telecom to expand mobile coverage in the country in a similar manner to the way they have assisted Digicel.

Mrs. Sri Mulyani Indrawati commended the Government on its economic management and leadership, noting PNG's impressive economic performance, which is forecasted to grow uninterrupted for the eleventh consecutive year in 2011. It is an impressive achievement, considering that over this time there has been a number of challenges, especially with the global financial crisis in 2008 and subsequent global recession in 2009. Inflation, however, remains persistent and the Treasurer acknowledged this as a key challenge for the Government to contain inflation so that it does not accelerate rapidly. The Treasurer indicated that the Government is monitoring inflation closely with monthly discussions with the Governor of Bank of Papua New Guinea, particularly on exchange rate movements against Australian Dollar. With Australia being our major trading partner the strengthening of Australian Dollar from recent commodity price boom has direct implication on inflation in PNG.