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WORLD BANK GROUP
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY
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Statement by the Hon. **JOHN. R. KAPUTIN**,
Governor of the Bank for **PAPUA NEW GUINEA**,
at the Joint Annual Discussion

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The core mandates of the World Bank and IMF remain fully relevant and consistent with the objectives and requirements of the PNG Government.

PNG's immediate concern is with her macro economic stability objectives. Although many of our problems originated from sources beyond our control (Asian financial crisis and natural disasters) PNG has not been assisted by external donor financing since 1997.

Consistent with the Fund's advocated policy prescriptions, but I emphasis prior to any Fund program, PNG has set itself firmly back within a prudent macroeconomic policy framework. Fiscal tightening, fiscal expenditure control and monitoring, and an independent conduct of monetary policy have been reestablished since July this year. In fact, our macroeconomic objectives in 1999 are probably more stringent than those that would have been set by the fund had they been able to respond to our policy stance with greater speed.

Consistent with both institutions' mandates, we are also embarking on a rejuvenation of the structural reform agenda. For some years structural adjustment has been progressing at a less than satisfactory pace. The implications of procrastinating with structural reform is evident in so many case studies today. PNG does not intend to become one of these case studies.

Transparency of the reform process is a feature of paramount importance. Striving to achieve the control of corruption will allow fuller benefits to be enjoyed. In this regard the Corporate Governance initiatives of the World Bank are very welcome. I point out that the public sector, and in particular its interaction with the private sector, must become an important target area of Corporate Governance reform. Furthermore, while Corporate Governance comprises internal and external architectures, the external aspect has appeared within the practised policy mandate of the Bank to date.

Capacity building within institutions is crucially important and a vital complement to the reform process if reform is to remain an ongoing string of events. As well, capacity of institutions will impact on the effectiveness of poverty reduction efforts made by donors and sovereigns alike. PNG must ensure that in reestablishing macro economic stability and the process of effective reform her institutions are less vulnerable to crises and more able to deal with PNG's long term development demands.

PNG has a need for capacity strengthening in key institutions and has been lucky enough to receive expressions of interests from more than one donor in some areas. In other areas such as road maintenance and rural development PNG is fortunate to enjoy the presence of more than one donor's interests. While it may seem desirable to receive such attention, a multiple of donors in one area puts a much greater demand on capacity of institutions to coordinate and reconcile development effort.

The Comprehensive Development Framework instrument would appear to be useful in this regard and its development and use may hold benefits for many countries. I would like to encourage the ongoing work on refining this development tool

PNG has, relative to many less developed countries, a relatively diverse export product base. Our export range is almost entirely made up of mineral production (oil, gold & copper) and agricultural commodities (coffee, oil palm, copra, cocoa, timber).

In 1998 agricultural commodities accounted for 28 per cent of our export revenues, while 66 per cent was accounted for by mineral exports and the balance by marine products. It is clear then that commodity risk management is of great importance to Papua New Guineans. Much of our rural population relies on the production and sale of these commodities for their livelihoods. As such I am pleased that the President of the World Bank in his address to the Development Committee has committed the Bank to developing a framework for development of a market-based approach to risk management.

PNG strongly supports the Fund and Banks objectives in addressing the debt burdens of Highly Indebted Poor Countries (HIPC). There are very real human consequences that need to be addressed. However, we do have very strong reservations regarding the possible sale of gold to finance the initiatives. Gold exports made up 33% of PNG's export revenues in 1998 and were responsible for a significant portion of our fiscal receipts.