

PNG INVESTMENT ENVIRONMENT UPDATE

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Outline of the Presentation



1. Introduction
2. Investment Environment
3. Some Challenges
4. Some Initial Actions
5. Possible Future Work
6. Conclusions



1. Introduction



1. Presentation will be about the PNG investment environment. It is by no means exhaustive but confined to those issues which the IPA has some visibility on.
2. Will highlight the current challenges, the different actions which have been taken, and what remains to be done (with some specific examples from the IPA).
3. Hopefully that gives you some insights into what we are confronted with as a country, and what actions are required.
4. I will then wrap it up with some final thoughts within the allocated time for this presentation.



2. Investment Environment



- Exciting times ahead in our young history. Strung together more than ten (10) years of positive economic growth rates.
- Last five years averaging around 7-8% compared to the global average of about four percent (4%).
- Projected growth set to increase drastically up to about 20-21% in 2015. This is unprecedented.
- First gas export in May 2014 a couple of months ahead of schedule.

2. Investment Environment Cont.

- PNGs B1 ratings (Moody's 05 June 2014 Report) and stable outlook reflects the expectation that the Government will undertake fiscal consolidation as mapped out in the MTFs.
- Report also highlights issues that the government must continue to be aware of:
 - poor human capital;
 - competitiveness;
 - poor infrastructure;
 - domestic connectivity;
 - law and order issues;
 - complex issues associated with the OK Tedi mine,
 - institutional strengths and effectiveness;
 - fiscal discipline
- World Bank Doing Business Ranking fell from 108 in 2013 to 113 in 2014.



World Bank Doing Business 2014



TOPICS	DB 2014 Rank	DB 2013 Rank	Change
<u>Starting a Business</u>	101	92	-9
<u>Dealing with Construction Permits</u>	165	159	-6
<u>Getting Electricity</u>	24	24	No change
<u>Registering Property</u>	87	86	-1
<u>Getting Credit</u>	86	82	-4
<u>Protecting Investors</u>	68	67	-1
<u>Paying Taxes</u>	116	111	-5
<u>Trading Across Borders</u>	134	132	-2
<u>Enforcing Contracts</u>	168	168	No change
<u>Resolving Insolvency</u>	128	127	-1

3. Some Investment Climate Challenges

- Human Capital
- Institutional Competitiveness
- Infrastructure and Connectivity
- Law and Order/Security
- Energy Availability and Reliability
- Investment Security
- Fiscal Discipline
- Doing Business Issues of the Investment Climate

4. Some Initial Actions

- Work in the education and training sector pertaining to access and quality is key Government focus area.
- Current Budgets emphasise key infrastructure development. SWF focus for the future entails infrastructure development.
- Law and Order/Security forms the backdrop of some development initiatives in the rural sector as well as direct RPNGC modernisation program.
- Investment Security is an important feature of the Investment Promotion Act. A balance between domestic interest and FDI interest is crucial.

4. Some initial actions cont.

- Initial discussion to boost energy output eg. Genset for NCD, new hydro project in Naoro.
- Geothermal Policy being finalised by the Department of Petroleum and Energy. Visit of IPBC to New Zealand this week to look at energy option.
- Announcement that future gas project must entail a clear DMO arrangement with respect to gas for power domestically.
- Possible clarity in policy including PPP with respect to disaggregating the electricity sector to achieve greater efficiencies.

4. Some actions by Government Agencies

i. PNG Immigration and Citizenship Services

- The Reviewing of Papua New Guinea's Migration Legislation ensures framework is consistent with the National Development Plan.
- APEC Travel Card now being issued.

ii. PNG Customs Services

- PNG Customs Service upgrading its ASYCUDA System to improve timeliness, efficiency and accountability of cargo clearance.
- Electronic lodgment of import/export documents.

iii. Internal Revenue Commission

- Payment of taxes by using electronic transfer.
- Integration of IPA and IRC systems.

Some IPA Specific Actions

- Partnership with IFC in the Regulatory Simplification and Investment Policy and Promotion Project. Also did work on promotional strategic focus, aftercare, and tracer mechanisms.
- Legal review of Companies Act and the Business Name Act to make processes simpler and at the same time bring legal certainty to business owners and operators.
- Legal Review paved way for the Online Registry system. Introduction of the Online Registry System - a pillar in the Stimulus Package
- Partnering with Internal Revenue Commission and PNG Customs.
- Reviewing of the Securities Commission legislation.

- IPA has focused on making a number of reviews to business laws administered under its jurisdiction and streamlining to improve its service delivery.
- The previous acts were outdated. Their intents and purposes, as well as languages used belonged that era. Papua New Guinea has moved on.
- Review included key stakeholder involvement and also involved key scan on the legal landscape of similar laws within the region.
- Parliament passed the Business Name Act 2014 and Companies Act 2014 in February earlier this year.

Comparison Between the Old and New Business Name Acts

Old Act	New Act
Outdated. It was created in 1963.	Represents a formal improvement of the system for businesses.
Confusing for business owners.	Encourages compliance and helps formalise business operations better.
Compliance issues between banks and business name owners etc.	Gives better clarity in the text on who the banks or creditors should serve their court papers to. More protection for both business owner/clients and creditors.



Comparison Between the Old and New Companies Acts



Old Act	New Act
Procedures too long	Streamline processes : <ul style="list-style-type: none">-Issuing shares-Annual returns-Filing requirements
	Increase protection and benefits for shareholders and clarifies duties of directors
Costly	Increase protection of creditors, including a more disciplined liquidation process
	Make it simpler & cheaper for businesses to comply with the law.

- The Legislative Review paved way for the introduction of the Online Registry System which was launched in 25 November 2013.
- The online registry system enables clients and users to register new companies, business names, associations and business groups from the comfort of their homes and offices without coming to the IPA offices.
- Clients can also conduct searches against registry records to see such things as the current directors and shareholders of a company or the owners of a business name. They may also download an extract of the full record of a business entity.
- Whilst awaiting the certification of the newly passed Acts, clients are currently unable to register online Business Names , PNG (local) companies and submit Annual Returns.

Partnership with IRC

- The Partnership with IRC recognises the importance of the relationship between each other's statutory roles and responsibilities to the State in terms of taxation revenue collection and the promotion and protection of investments in Papua New Guinea.
- As of March this year, a team from IRC relocated into the IPA office.
- A counter has been allocated to them purposely to make sure new businesses registered with IPA also receive a Taxpayer Identification Number (TIN).
- Systems interface between the IRC's Revenue Accounting System and the IPA's Certification & Registration System to allow a two-way access to information to carry out their statutory roles.

- The Partnership with Customs PNG relates to trade, border protection and facilitation and promotion of investment in PNG.
- Involves the obligations of the Government of Papua New Guinea, World Trade Organization (WTO) and Trade Related Aspects of Intellectual Property Rights (“TRIPS”).
- Share information and data relating to import and export statistics, customs procedures in relation to import and export requirements, duty exemptions, and IPR related information.

5. Possible Future Work

- Are the actions taken so far sufficient enough for us to rest?
- Is there need for further policy reforms at institutional levels and whole government sector to ensure we move together and are prepared for the unprecedented growth in the economy?
- Doing business issues entail 10 different elements. We have only been trying to address 2 – Starting a Business & Paying Taxes. And even in Starting a Business we still fell 9 places from 2013.
- The thing with Doing Business Perception Index is that if we sit still other countries, who have done reforms will push our ranking to a lower position.

- Study and Report Titled “On the Brink of Excellence – Starting a business in PNG, Commissioned by APEC and funded by USAID and conducted in December 2013 noted a number of work fronts that could be addressed-
 - More work on Improving Registration;
 - Address overregulation of Foreign Investment;
 - Work towards achieving clarity with respect to business reserved for citizens;
 - Address drivers of High Business Operating costs including: electricity, security and cost of inputs.

6. Conclusions

- Country is at the cusp of very exciting times ahead, and growth will be unprecedented.
- There are investment environment challenges that need to be addressed and addressed quickly to sustain the growth trajectory.
- Some actions are being taken but these actions are not exhaustive.
- More work needs to be done to address key issues going forward.



THANK YOU VERY MUCH



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