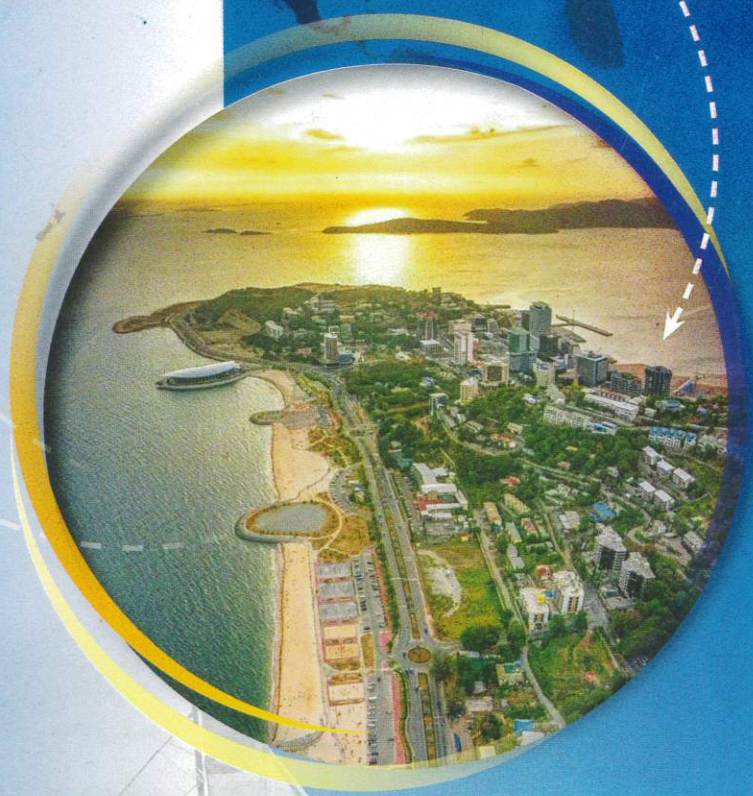


PAPUA NEW GUINEA

Investment Guide



Country Profile

- The Land • The People
- The Government • The Laws
- Political Stability • The Economy

Primary Industries & Tourism Sector

- Agriculture • Fisheries • Forestry
- Tourism

Regulatory Regime

- Investment Promotion Authority
- Taxation • Customs
- Land & Employment



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Content Table

Introduction

- Trade & International Investment Minister

3

Trade the portal to transform PNG

- National Trade Chief Officer

4

National Trade Office

- Ministry of International Trade & Investment
- National Trade Policy

5 - 9

Country Profile

- The Land ● The People
- The Government
- The Laws ● The Economy

10 - 19

Primary Industries & Tourism Sector

- Agriculture ● Fisheries ● Forestry ● Tourism
- Infrastructure
- Manufacturing
- Banking and Finance

20 - 41

Regulatory Regime

- Investment Promotion Authority
- Taxation ● Customs
- Land & Employment

42 - 67

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PNG is next FDI destination

Welcome to Papua New Guinea.

It is a land of dramatic physical beauty, of bountiful natural resources, and endless opportunities.

It is a small open economy and a frontier emerging market destination for foreign direct investment.

PNG represents the next wave of investment destinations.

The country has its share of detractors and nay-sayers but it offers opportunities which can give above-average returns over time to those who will invest.

Our taxation regime is stable and comparable with those in the region. Our investment incentives including tax holidays and tariff exemption for capital inputs are exceptional and attractive.

The economic and financial fundamentals are secure with a growing Gross Domestic Product, an easily convertible currency, below average inflation and a stable consumer price index.

Our political environment, while robust, is stable and has been so since Independence in 1975.

Our export market destinations have always been secure and our traditional clients for export commodities such as minerals and agricultural produce have remained faithful over the long term and are growing. The balance of trade is positive and growing.

The overwhelming success of our recent bond road-shows through Europe, the United States and Asia tell us that investment alternatives in that direction is attractive and while our local stock market is small, the potential to grow in the future is high.

Our traditional safe ground for foreign direct investment has been the extractive sectors of mining, hydrocarbons and forestry (round log exports). While these will remain and the potential for new exploration work and investment is high in that direction, as a government we would like to invite new entrants in areas which have remained under-developed up to now.

PNG's agricultural production capacity is immense. Large tracts of arable land throughout the country lie undeveloped. It is true that the country's peculiar land tenure arrangement has prevented large investment in this direction in the past but since 2019 that has changed with our Special Economic Zone and Trade Free Zone concepts. With a new ministry dedicated to promoting international trade and investment, we will go all out to create an atmosphere conducive for our investment partners.



Hon. Richard Maru, MP

The Government has already identified and marked off special economic zones which will be fully serviced and be available to the foreign as well as domestic entrepreneur.

We intend to develop manufacturing and service industries and offer attractive incentives for the investor who will come to the table.

Potential for development of green industries are higher in this country than those in countries with industries already entrenched in unsafe climatic practices. Development of electricity, including alternate and environment friendly sources are high. The huge success of the mobile telephony industry in PNG has shown what potential there is for foreign investment in service industries.

Our transport sector, including development of rail and major shipping routes, awaits the big investor. With the government's pillar policy of 'Connect PNG' which has secured the support of our bi-lateral and multi-lateral partners, the transport and travel and tourism sectors pose lucrative foreign investment opportunities.

Our skilled labor market is small, but we are expanding it with our education and training policies. Incentives are on offer for investors who take up skills training and upgrading.

Our security environment is considered high risk, I admit, but we are addressing that as a matter of urgent ongoing government focus and concern. Police manpower is increasing and with the advent of increasing investment and economic excitement the unemployment frustration that fuels social tensions tend to die down.

There is tremendous potential for rapid industrialization and high economic growth in Papua New Guinea. These can translate to investment returns that are superior to those available in developed markets for the foreign investor.

I am confident those who choose PNG as an investment destination will benefit both their shareholders and the people of this nation.

HON. RICHARD MARU, MP

MINISTER FOR INTERNATIONAL TRADE & INVESTMENT

Trade, the portal to transform PNG



Mr Richard Yakam

Since the morning of the world, trade has been a key connector of peoples.

Our savage ancestors traded greetings, information, goods and services, people and even entire territories and nations. Periodically, they traded punches and arrows in anger.

Whether in peace or in anger trade warranted a giving and a taking on fair ground.

It established contacts, set terms, and connected one party to the other.

Human societies would be bereft without trade in one form or another.

Trade was the unspoken language which broke down the silence of strangers in the age of discovery.

Captain James Cook did not know Maori or Motu or Tahiti but he understood fresh water and food. The Maori and Motuan and Tahitian did not understand English, but he understood well enough the taste of salted bacon, the glint of steel knives and cloth. And so, after the initial exchange of animosities, the items of trade brokered peace.

Trade established the ancient Chinese silk route and trade is the principal focus of China's One Belt Road initiative today. The great metropolises of Hong Kong and Singapore were once trading outposts and their success today is dependent almost entirely on trade.

Every capital city, including Port Moresby, was built on sound coastal locations with trade foremost in mind.

The singular importance of trade to a nation cannot be understated. Its neglect in Papua New Guinea is unfortunate and regrettable and is partially responsible for the slow erratic economic growth to date.

Wanting to reverse this state of affairs and to give trade its place in the nation, I introduced the first Trade Policy in 2016 and began the process to separate the Trade function from the Department of Commerce and Industry.

Today Prime Minister Hon James Marape, in his wisdom, has introduced for the first time, the Ministry of International Trade and Investment and has placed the responsibility of managing its creation upon Hon. Richard Maru.

The minister is not new to this responsibility as he was responsible for introducing the National Trade Policy in 2016 in his then capacity as Minister for Commerce & Industry.

The National Trade Office will focus on growing trade by attracting foreign direct investment. Only investment can expand our capacity to trade.

We will focus on moving PNG from being import dependent to becoming a leading exporter in the region. Our strategy will be to grow trade volumes in our agricultural and marine products, and we

will introduce special interventions to kickstart and grow export trade for our fledgling manufacturing sector.

Growth of domestic trade pushes the traders to eventually move to promote international trade. The neglect in domestic trade is also being addressed by the ministry and the National Trade Office. Through freight subsidies and other incentives we will encourage a flourishing domestic trade of consumables which will in turn encourage growers and suppliers to expand their production lines which will enable them to meet demands for bigger volumes for international trade.

Covid-19 has taught us the constant dangers presented by new generation issues for global trade and investment.

This means PNG needs to adjust and reengineer the trade and investment environment to be more responsive and maneuver more easily to such threats.

It means those of us in the trade and investment business need to be fully conscious of what those in climate change and other sectors are doing to improve resilience to natural disasters and climate change.

We must be primed to respond to the constant changes and improvements in Technology which continues to change the trade and investment regime all around the world.

In line with these general preparations, we are also providing a wide range of ambitious investment enabling reforms to allow for much greater openness, further liberalisation and more robust protections to all investors – bringing PNG's investment environment further in line with global standards.

In particular we have prioritized the following sectors that need critical support and investment:

- Production of value-added agriculture, livestock and fisheries sectors which can connect to the Global Value Chains;
- Healthcare services;
- Establishment of special economic zones and related businesses;
- Digital-based enterprises;
- Infrastructure development projects (Electricity); and
- Green economy and renewable energy projects amongst others.

Papua New Guinea has become aid and loan dependent because of the years it has become trade deficient.

Under the Marape Government, we shall reverse that and give trade its rightful place as the lynchpin in our economic growth.

Trade will become the portal through which PNG will be transformed into a healthy, wealthy and wise nation in the years ahead in conformity with our vision 2050.

Mr Richard Yakam
Chief Trade Officer

Ministry of International Trade & Investment

Prime Minister announced the new Ministry of International Trade and Investment shortly after formation of Government in August 2022

He named Hon. Richard Maru as Minister responsible for the new ministry and Hon. Kessy Sawang, MP for Raicoast as Vice Minister.

The ministry might be new but the responsibility is not new to Hon. Maru who has been charged with the Ministry of Commerce and Industry and who spearheaded the first National Trade Policy and the inaugural SME Policy and Master Plan in 2016.

In one of his early speeches, Mr Maru praised Prime Minister James Marape for his foresight in establishing the ministry.

Mr Maru, who is also Member for Yangoru Saussia, says the Ministry has been created to be the main driver and to provide leadership and oversight to grow a broad based, sustainable and export driven economy.

Mr Maru is adamant that this financial independence must be secured within the next decade.

He said the GDP must be doubled to K200 billion by then and for PNG to have a balanced budget at K30 billion by 2032 with no borrowing.

He said: "We have a dream to secure financial independence within ten years but how we get there is going to be tricky and treacherous. We have not done it in the last 47 years but we must do it in the next ten years.

"As head of this ministry, I want to publicly declare that we will not go anywhere without God going before us. The challenges are too great and too big."

The Minister has moved with all possible haste to establish the National Trade Office which was previously a unit in the Department of Commerce and Industry and for many years was a football kicked between DCI and Foreign Affairs.

By November 2022, Mrs Jacinta Warakai Manua a career public servant with over 30 years experience was appointed by the National Executive Council as acting Secretary for the new Department of International Trade and Investment. Mrs Manua



The Special Economic Zone Authority Board with Minister Richard Maru at its swearing-in.

has served in the area of international trade with experience in bilateral, regional and multi-lateral tiers of trade related matters.

Minister Maru has decided that a good vehicle to attract and incentivize both foreign and local investors is through Special Economic Zones.

A Special Economic Zone can be any declared over any geographic area physically secured comprising serviced lands that is designated as a SEZ under the SEZ Authority Act 2019.

This means that the government secures the land either completely from landowners or enters into a collaborative venture with landowners to secure the land free of all encumbrances.

PNG SEZs operate free of taxes and duties for 10 years to promote Foreign Direct Investment (FDI) to build critical capital Infrastructures, industries, facilities, create employment and increase export of value added produce.

A Free Trade Zone (FTZ) is a class of SEZ, and can be located within SEZ.

FTZs can be heartbeat of any SEZs, only certain classified goods and services may be exempted from taxes and duties after 10 years' concession to maintain maximum export.

Higher revenue can be generated from downstream products especially from exports and huge savings from imports.

SEZ are open to local investors and foreign direct investment and collaborative joint ventures between foreign enterprises with local companies.

To secure special hubs for investment consideration around the country, Parliament passed the Special Economic Zone Authority Act in November 2019.

The Act listed 16 areas throughout PNG to set up SEZs. The Act also repealed the Free Trade Zone Act 2000 and the Industrial Centers Development Corporation (ICDC) Act 1990.

The new Act set up the Special Economic zone Authority with a initial injection of K16 million.

The SEZ Act and SEZ Authority were placed under the Ministry of Finance but as soon the new Ministry of International Trade and Investment was created by Prime Minister James Marape soon after the 2022 National Elections, the responsibility was transferred to it under the leadership of Mr Maru.

Sites declared as both FTZ and SEZ to date include:

1. Bana Industrial Zone in the Autonomous Region of Bougainville,
2. Central Province Rice Zone,
3. Daru SEZ, Western Province,
4. Finnhafen FTZ in Morobe Province;
5. Gazelle SEZ – Kokopo Agricultural SEZ in East New Britain;
6. Ihu SEZ (Kikori) in Gulf Province;
7. Paga Hill SEZ in Port Moresby, National Capital District;
8. Motukea Wharf in the NCD;
9. Labu Tale FTZ in Morobe Province;
10. Sepik Plains SEZ, East Sepik Province;
11. Pacific Marine Industrial Zone (PMIZ), Madang,
12. Manus Special Economic Region.
13. Korofeigu Special Economic Zone in Eastern Highlands Province to promote agriculture; and
14. Raicoast SEZ,
15. Pomio SEZ,
16. Vanimo Free Trade Zone, West Sepik Province.
17. Middle Ramu SEZ,

fisheries products for export markets.

4. Manus SEZ -

By December 2022, global experts on Special Economic Zones were invited and arrived from the Japan Development Institute (JDI) to help PNG formulate a master plan for SEZs. The field work by JDI and local experts was completed in February 2023 and follow up work is under way to provide three key deliverables – a new policy framework, a new strategy to develop SEZs and a revised legislation to complement the new direction.

The SEZ Act of 2019 was done without a complementing policy, thereby necessitating the current work in progress.

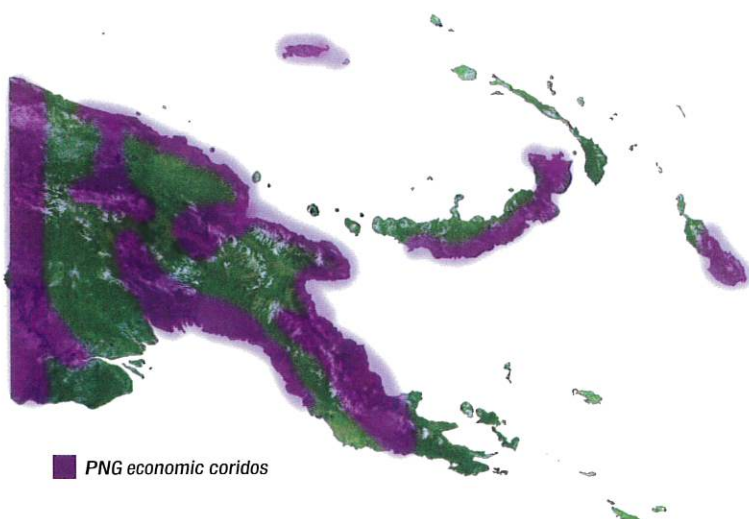
On January 19, 2023 at the instigation of Minister Maru, Parliament passed the National Trade Bill, a landmark legislation which establishes the National Trade Office. The NTO is placed under the leadership of Mr. Richard Yakam, another long time career public servant who has headed the office for many years.

The trade law now anchorages the NTO and serves to clearly define the functions of the Ministry and the trade policy administration which has been lacking since Independence. Minister Maru says the Trade law will ensure that appropriate linkages are established between all relevant stakeholders both domestically and internationally for PNG to achieve the National Trade Policy vision of becoming a competitive export driven economy that is built on and aided by an efficient and expanding domestic market. In the final analysis the National Trade Policy and the National Trade Bill 2023 will contribute to alleviating poverty and improving PNG's social and economic well being.

Apart from securing help from the Japan Development Institute, the Government has secured support from various governments and organizations to work together with the new ministry to further trade and investment opportunities. This include Australia, Bangladesh, China, India, Indonesia, Philippines and Thailand and the International Finance Corporation.

The Ministry launched a first SEZ Summit in May and underlined the event with the launch of the Trade Portal website and the launch of its SME Export Guide and its PNG Investment Guide.

In October PNG will host the World Indigenous Business Forum through the Ministry of International Trade and Investment.



Those that currently have funding support and progressing are:

1. Ihu SEZ – The \$13 billion Papua LNG project in the Kikori District of Gulf Province has opened the door for an accompanying zone, known as Ihu SEZ, that would feature a free trade zone, a petroleum park, an industrial zone, a technology park, a forestry zone, a marine park, a deep sea port and airport, hotels and resorts and a government and administration complex.
2. Sepik Plains – the vast Sepik plains, stretching for as far as the eye can see in every direction has been identified as having great potential for agriculture and related processing and value added activities.
3. PMIZ - The Pacific Marine Industrial Zone is one of the first to have been declared. The aim is to promote onshore processing of regionally caught tuna and other

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National Trade Policy



PNG is endowed with immense natural wealth, rich deposits of precious minerals, crude oil and natural gas.

It has an abundance of some of the world's premium timber and fishery products and soil conditions and climate features tempt any farmer in the world.

The pristine beauty of the land and the diversity of flora, fauna and the people are attractions to rival any tourist destination on earth.

Despite this natural wealth, PNG remains a small open economy which is a net exporter of goods mainly from the extractive sector but its services trade balance has consistently reflected a deficit for the last few decades.

To transform the economy and create wealth the Government has decided to leverage all of its strengths in 2017 decided to develop a National Trade Policy, its first since Independence.

Extensive consultations taken to develop the policy revealed that on the supply side, high transaction, transportation and utility costs inhibit business and affect PNG's competitiveness.

On the demand side, tariffs and technical barriers to trade as well as sanitary and phytosanitary measures limited PNG's ability to move into exportation of higher value added products.

Further, weak enforcement of national standards and technical regulations, weak enforcement of intellectual property rights, unfair trade practices such as dumped products and heavy subsidization of inefficient industries prevent the growth and diversification of PNG's industries.

This then provided the basis for the development of the National Trade Policy (2017-2032) which was launched in 2017.

The main objectives of the National Trade Policy (2017-2032) can be summarized as follows:

- To send a strong signal to the international community that PNG is open for business.
- To expand market access, inclusive of negotiations of

terms that will result in market presence on both the merchandise and services accounts.

- To protect consumer welfare through strengthened enforcement of intellectual property rights and ensure national standards and compliance measures are respected.
- To create an environment in PNG that is conducive for doing business and increasing employment by ensuring that costs are reduced and are also transparent and predictable.
- To identify markets where PNG can receive a cost advantage for products of strategic interest and create secure, predictable market access conditions through trade agreements.
- To advocate for the elimination of large-scale subsidies provided by trading partners that distort international trading prices on products of strategic interest to PNG.
- To modernize resources to finance needs of the trade and trade-related sectors.
- To mainstream for small to medium enterprises into trade deals by negotiating clear terms of establishment of foreign firms in PNG markets in sectors of strategic interest through goods and services scheduling commitments.

The Government of PNG recognized that to achieve its trade policy objectives, certain internal arrangements needed urgent attendance.

The first of this was to separate and establish a National Trade Office to facilitate efficient collaboration and coordination amongst all stakeholders.

The NTP also created a legal and regulatory framework that will be more conducive for the conduct of trade and an administrative and coordination mechanism to facilitate the implementation process.

To help establish an efficient and competitive domestic

market and build an efficient and competitive and sustainable exported based economy, certain measures for strengthening administration, coordination and implementation were adopted.

These measures are summarized below:

Legal and Regulatory Framework – a transparent and predictable legal and regulatory framework is mandatory to improved business and investor confidence. Towards that end, the NTP encourages and promotes laws and regulations conducive to improving the ease of doing business, general awareness and improved advocacy on trade-related laws and regulations and private sector participation in the process of securing better regulation through public private sector partnerships.

In this respect, since the NTP launch, a sister SME Policy and Master Plan has been launched, the Investment Promotion Authority Act has been streamlined, a National Content Policy has been approved, a Special Economic Zones Act introduced and Policies on Manufacturing, on Cooperative Societies and on Gold trading are presently under way.

Macro-Economic Policy Environment – To increase trade and investment flows, the NTP promotes measures proactive that encourages trade, maintain regular dialogue with key stakeholders, and promoting collaboration with donor agencies and international partners to address supply-side constraints, productive capacity, structural impediments and reforms.

Investment and Competition Policy – The NTP's objective is to promote fair competition and good business practices that will support an attractive business and investment environment. These include deregulation of monopoly in the shipping and energy sectors, inclusiveness of adequate safeguards, encouraging regular dialogue through establishing an effective coordination mechanism and developing a transparent competition regime and the implementation of competition law under the coordination of the Independent Consumer and Competition Commission (ICCC) and related regulatory institutions to address anti-competition practices.

Good Governance – Policy measures in this important area include conducting regular reviews of the decision making and implementation processes to improve efficiency and

effectiveness, establish inclusiveness in the trade policy process through regular public-private dialogue and wider consultation on changes in policies, laws and regulations, as well as the timely disclosure of information on the same and providing open access to and making available trade and trade-related information through online portals for public consumption.

Trade Related Infrastructure – Trade and Investment thrive on infrastructure and towards that end the NTP encourages a review of economic infrastructure such as roads, ports and wharves in strategic locations around the country. This has resulted in the upgrade of sea and airports throughout the country that is on-going. A Connect PNG Policy is today the lynch pin policy of government to upgrade and/or build new roads and air and seaports throughout the country.

Aside from transport infrastructure, the NTP considers the need to provide for and maintain high quality of utilities services such as electricity, telecommunication and ICT, water and financial services that are important to trade and investment. Reforms are under way including ways to tackle monopolistic State-Owned Enterprises provide essential utility services.

Foreign Direct Investment (FDI) – One of the NTP's major objectives is to increase FDI flows into the PNG economy. It is envisaged that major FDI inflows will assist domestic businesses to partner and integrate with foreign investors which will in turn grow the economy, provide employment and provide expertise and knowledge and technology transfers. This measure includes removing legal, regulatory and administrative impediments to attracting and retaining FDIs as identified under the Ease of Doing Business Study that calls for a review and development of a New Investment Policy Framework aimed at channeling FDI into the appropriate sectors of the economy in terms of technology transfer, transfer of capital and assets and organizational know-how and related matters of FDI. Towards that end many investment incentives offered have been reviewed.

Trade Facilitation – This measure includes instituting procedures to capacitate and modernize trade facilitating agencies and invest in advanced technologies especially ICT and related trade infrastructures and review and realign the processes of the various trade facilitation institutions such as Customs, NAQIA, NISIT and others to streamline and simplify their import and export procedures and practices. This includes digital trade which will provide appropriate information communication and technological infrastructures and policies to protect citizens and consumers and maximize the economic benefits of e-commerce that is critical to promote inclusive growth and protect against internet fraudsters and multi-national cybercrime.

Eliminating Anti-Export Bias and Non-Tariff Measures – By reducing the cost of inputs through the elimination of tariffs on inputs and intermediate products used in production, PNG can stimulate production and enhance the competitiveness of PNG Exports. The National Trade Office is consulting with Department of Treasury and other stakeholders on the tariff structure with a view to either lower import tariffs or provide exemptions from duties for inputs and machinery in order to promote downstream processing onshore and will consider the use of an efficient drawback system on inputs that would enable the remission or



Spirit of Hela with PNG LNG cargo

drawback of import charges on inputs physically incorporated. The NTP's objective is to eliminate NTMs in accordance with the relevant provisions of the WTO and other trade agreements in order to stimulate more trade through reduced costs.

Trade Development and Promotion and Logistic Services - This measure includes encouraging public private partnerships and public consultation on issues relating to trade and investment liberalization in logistics services and collaborating with donors and international partners to conduct a domestic trade and logistics audit on issues relating to institution and regulations of transport and logistics services, quality and reliability of logistics services and business practices.

Trade in Goods and Trade in Services - This includes identifying PNG's key export market destinations for its competitive goods and analyze its market access conditions, introduce periodical analyses of trade flows for trade policy intervention to determine and classify the share of exports which receive Most Favored Nation treatment, General System of Preferences treatment and Free Trade Agreement preferences, undertake fact-finding missions to target countries where PNG has an offensive interest to trade and capacity building and training for the negotiators to negotiate the concessions of best interest to PNG. In so far as Trade in Services is concerned the NTP aims to eliminate regulatory barriers and offer non-discriminatory treatment to services suppliers in order to improve the services sector and foster competition, improve the quality of services, reduce price, create employment and encourage growth and development.

Sector Specific Policies - The NTP aims to ensure that the right policies are adopted and implemented in the areas of agriculture, fisheries, manufacturing, services, tourism, mining, oil and gas and next generations sectors and industries.

Some of these measures include establishing Special Economic Zones to promote development of the agri-manufacturing industries, support and grow the local stock-feed industry and support the Department of Treasury, PNG Customs, ICCC and other agencies to establish clear criteria to use safeguards, anti-dumping and countervailing measures to protect PNG agri-food industries against unfair trade practices such as dumping and subsidies and import surges.

Many of these measures are mentioned in the specific sectors which are profiled in this Guide.



New look Ela Beach
in Port Moresby,
2022. pic source Arnold
Torada - web

Papua New Guinea Profile

PNG VITAL STATISTICS

| | |
|-------------------------|--|
| Land area | 461,937 km ² |
| Marine jurisdiction | 3.1 million km ² |
| Population | 7.2 million (2011) 8.251 million (current est) |
| Population growth rate | 3.1% (2015) |
| Human Development Index | 0.516 (2015), ranked 153 out of 187 countries |
| GDP | US\$ 21.2 billion (2015) |
| GDP growth rate | 2.5% (2017) |
| GDP per capita | US\$ 2,745 (2015) |
| Infant Mortality Rate | 58/1,000 (2009) |
| Maternal Mortality Rate | 733/100,000 (2009) |
| Women in Parliament | 0 (2017, decreased from 3 in 2012 elections) |

The Land & Sea

Plate theorists instruct us that the continuous collision of the Pacific and Australian tectonic plates have pushed up the island of New Guinea and its surrounding scattered islands.

This primeval action continues today as you read this, pushing up the central mountain range that forms the spine of the main island and mineralizing the islands with all manner of mineral, oil and natural gas deposits and hewing out the valleys and carving out the sea basins. The same colossal forces have dotted this island nation with scores of thermal regions and active volcanos with periodic earthquakes. Both volcano and earthquake create much havoc from time to time.

PNG contains 460,000 square kilometers of land area with over 600 major islands and atolls.

The country's exclusive economic zone encompasses an area of 3.12million km² (National Oceans Policy) with a coastline of 17.110 million km; a 88 percent area covered by the ocean in comparison to land.

Jagged mountains, deep ravines, and fast flowing rivers characterize the hinterlands while wet marshlands, white sandy beaches, magnificent coral outcrops and turquoise blue waters give the coastal and islands an indescribable beauty that has to be experienced to be believed. The multitude of rivers, huge inland lakes and large valleys provide a haven for inland fisheries and for large scale farming enterprises.

Minerals and other valuable commodities of value discovered in commercial quantities are gold, copper, silver, nickel, cobalt, oil and natural gas. Coal has been discovered in commercial quantities in the Gulf of Papua but is yet to be developed into an industry.

To these have been added virgin forests containing tropical hard woods, bountiful fisheries and marine resources and rich volcanic soil in which just about anything can be grown. Temperate climatic conditions in the interior of the main island and huge riverine valleys throughout the country provide excellent opportunities for agriculture.

In addition to its oil, natural gas and coal deposits, PNG's vast thermal regions, galloping wind, plethora of waterways and its tropical exposure to direct sunlight all year round make it a unique place for development of environment friendly energy needs.

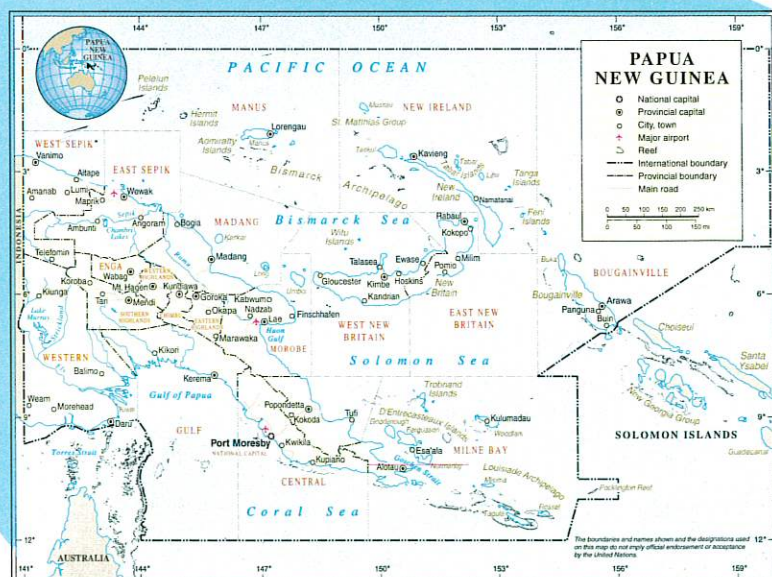
The rainforest is home to many rare species of plants, birds and insects, including the world's largest butterfly, the Queen Alexandra Birdwing found in Oro Province.

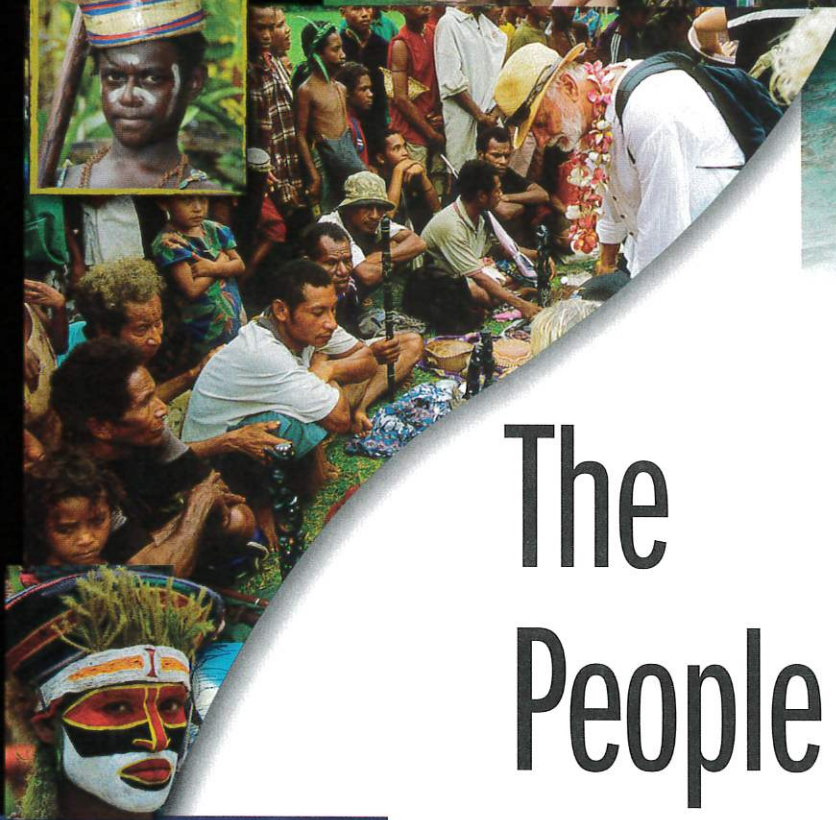
Its marine wildlife is equally abundant and scientists are continually discovering new species of seaborne plant and animals hitherto unknown to science.

There are about 700 species of birds but PNG is best known for its brilliantly coloured birds of paradise. Thirty-eight of the 43 known species are found here, including the rare blue and raggiana varieties. Bird watching has become a niche tourism market of late.

The country is famous for its many beautiful orchids. Over 3000 species of orchids, unique to PNG, contributes two thirds of the world's known species, another tourism bonus for those interested. All of these are stand alone tourism products.

PNG shares a 750 kilometre land boundary with Indonesia to the west, a sea boundary with Australia to the south, Solomon Islands and New Caledonia to the east and the Federated States of Micronesia to the north.





The People

To this tropical paradise came the first inhabitants of the land in migratory waves, it is said, from as far away as Madagascar off the coast of Africa. Later arrivals were seafarers, island hopping after the fashion of their Polynesian neighbours.

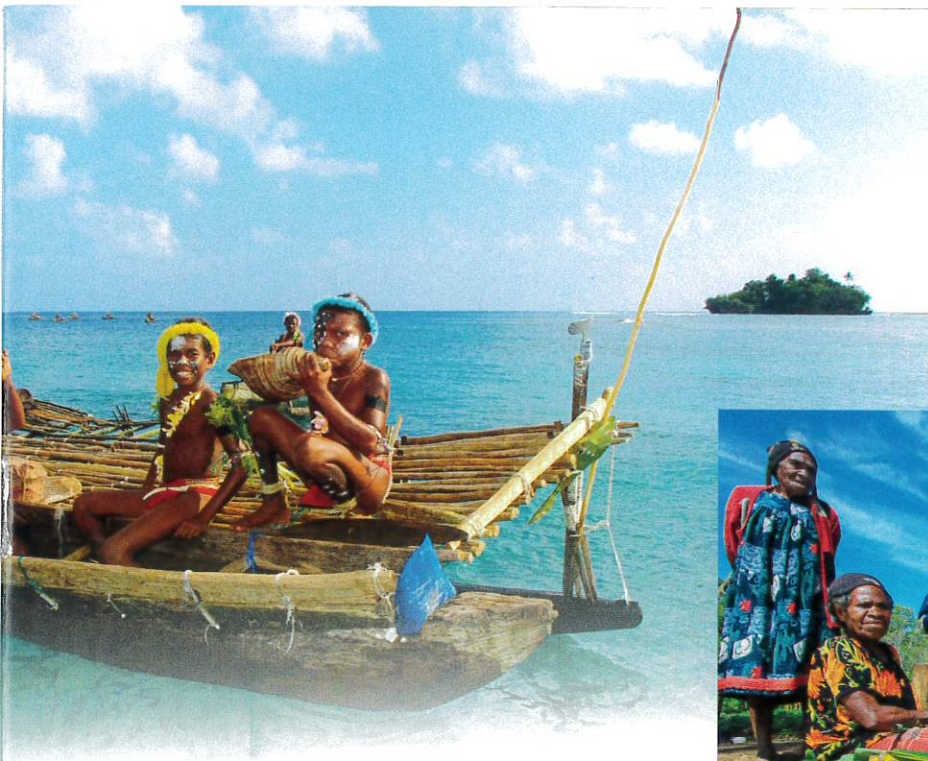
There is evidence provided by archaeological digs in the highlands that these early ancestors were farming the land about 9,000 years ago, digging ditches and planting leafy vegetables.

Fiercely independent and territorial, these early ancestors of presentday Papua New Guineans split into tribal and clan units for security and survived that way for generations developing their own unique sets of languages and customary practices along the way.

Western contact was first made around the 1500s but even as late as 1930s inhabitants of the highlands had little or no contact with the outside world.

Today Papua New Guineans remain an enigmatic folk with a few of their sons instructing in top universities and flying the





The country has the highest language diversity in the world with its 7.3 million people speaking some 820 languages.

latest and largest aircrafts in the world at the one end while a not too distant relative of the same person has never seen the inside of a classroom and is a subsistence farmer living off the land.

Most of the population live in rural areas and follow the traditional "wantok" welfare system where clan and kin is rated above formal introduced governmental structures and notions. Obeying the laws of old, allegiance to clan and tribe is often far stronger than to formal government structures influencing, for right or wrong, every aspect of life today.

Into the mix is thrown Papua New Guinea's dubious claim to fame in the number of languages spoken in the country. The country has the highest language diversity in the world with its 7.3 million people speaking some 820 languages. That means an average 8,900 people speak one language but in reality, some like Enga Province's 300,000 people speak one language and a few other languages are thought to have no known living speakers.

The country has three official languages – English, Tok Pisin and Hiri Motu.

The 2011 National Population Census counted 7,254,442 people within Papua New Guinea divided almost evenly between male (3.7 million) and female (3.4 million). This compares with a 1980 population of 2,978,057.

Of these only 20,800 are non-citizens mostly from Asian countries (32,780 in 1980).

The country has a youthful population with those over 18 years of age accounting for over 4.1 million of the total population but with only 2 percent over the age of 65.



However, population growth shows signs of slowing, with the number under 5 years old falling from 16 per cent in 1980 to 12 per cent in 2011. Counterbalancing this trend, the population over 65 is also rising, albeit at a slower rate.

The bulk of the population (88 per cent or 6.35 million) live in rural villages and hamlets in tribal communities arranged in clans. This compares with 2.7 million in 1980.

The population is increasing at the rate of 3.1 per cent per annum, making it the fastest growing population anywhere.

The United Nations Development Program Human Index ranks PNG 153 out of 189 countries, placing it in the low human development category. Life expectancy at birth has increased from 54 to 65.7.

Access to school and literacy has improved in recent times but high population growth rates and high unemployment present enormous challenges.



The Government



National Parliament House



House of Assembly



PNG Parliament in session

On August 15, 1975 the House of Assembly, the pre-dependence legislature met for the last time, adopted the National Constitution of Papua New Guinea and named September 16 of that year as the date of Independence before promptly dissolving itself.

The Constitution prescribes a democratic form of parliamentary government modeled upon the British Westminster arrangements but with a unicameral legislature.

The Legislature (Parliament), Executive (Cabinet) and the Judiciary (Courts) operate separate branches of Government in complementary roles for the good governance of the land.

Despite the principle of separation of powers, the separation between the Legislature and the Executive is

loser because membership of both are drawn from the elected members of Parliament.

The National Parliament comprises of the Members of Parliament and the Committees of Parliament. Parliament is headed by the Speaker and is served by the Parliamentary Services headed by the Clerk of Parliament. There are 118 seats occupied by 89 members elected from Open Electorates and 22 Regional members. This will be increased to 124 Open members of Parliament in 2027 with no additional regional electorate.

Regional members, by operation of the law, automatically become governors of the provinces with the exception of Bougainville, which elects its own President under a separate arrangement.

There are provisions in the Constitution (Sect 101 & 102) providing for nominated members of Parliament

and for women MPs to be elected from exclusive seats held for them but both provisions have not been exercised to date.

There are two women parliamentarians currently and there have been others but at no one time has the number exceeded five.



The Executive or Cabinet of ministers can comprise no more than a third of Parliament (the quorum of Parliament) and membership is only drawn from elected members. Cabinet is headed by the Prime Minister and is served by the Public Service.

The Judiciary comprises the Chief Justice and the Supreme and National Court judges and the Magistracy headed by the Chief Magistrate. The Judiciary is served by the Judicial Services headed by the Registrar of the National Court. Members of the judiciary are non-elected officials.

Only the Autonomous Region of Bougainville has a separate arrangement following a secessionist uprising lasting a full decade. There while national electorates are kept and members elected, the ARoB has its own Constitution and Government structure where the President is elected by the people.

At a referendum in 1997 97 per cent of those who voted elected to separate from PNG and to become independent. Under arrangements in the National Constitution such a vote has to be ratified and acceded to by the Parliament of PNG and this it has yet to do.

Queen Elizabeth II of England serves as the head of Government acting through a resident Governor General who is elected for a six-year term by Parliament. The role of the Governor General is mostly ceremonial and limited to acting on and with the advice of the heads of the three branches of Government, although most normally it is the National Executive Council. PNG remains a member of the British Commonwealth.

A provincial government system provides for a second-tier federal type government at the provincial level with a legislature comprising elected representatives drawn from the presidents of local level governments in the districts and the members of parliament from the province. The Governor is the provincial member of the province and is elected by a province-wide ballot as opposed to open members who are voted by

constituents of smaller electorates within a province. Provincial legislatures can and do pass laws which have legal effect within the province, but such laws cannot contradict a national law or the Constitution.

A local level government provides a third-tier government for the upkeep and governance of districts. Membership to this assembly is served by ward councilors. Presidents from this assembly become members at the Provincial legislature along with their parliamentary compatriots.

The terms of office for Parliament and the other two legislatures are five years. Elections for these legislatures were held simultaneously until recently when this arrangement was changed.

PNG has had a fluid political history with many mid-term changes in Government through successful motions of no confidence. There have been 11 national general elections and six successful motions of no confidence each leading to a new Prime Minister being elected mid-term.

The political party system is weak with no strong ideological differences and up to 40 political parties have been known to emerge around election time. These usually dwindle to about half a dozen which have members returned in elections. There has been only one occasion, in 1982 when a single party majority was returned following a general election but governments have always been a coalition of more than one party.

The party with the highest majority returned after national general elections is called upon by the Governor General to form the next government and that party's leader most normally emerges as the Prime Minister.

Five parties – Pangu Pati, People's Progress Party, People's Democratic Movement, PNG Party and People's National Congress – have headed government at one time or another.

The Government is today headed by Hon. James Marape who first took government in a mid-term change of Government when the incumbent in Hon. Peter O'Neill resigned following a threat of a motion of no confidence. He was re-elected in the 2022 national general election.

PNG's prime ministers were, in the order they served, late Grand Chief Sir Michael Somare, Sir Julius Chan, Mr. Paias Wingti, Sir Rabbie Namaliu, late Sir William Skate, late Sir Mekere Morauta, Mr. Peter O'Neill and Mr. James Marape. Sir Michael, Mr Wingti, Sir Mekere and Mr O'Neill and Mr Marape have held the position more than once.

The Laws

Ignorance of the law is no excuse, as the saying goes, and it pays for those undertaking more than a passing interest in Papua New Guinea to be familiar with the hierarchy of laws in existence in Papua New Guinea.



The Laws of PNG consist of:

- The National Constitution as the supreme legislative organ,
- The Organic Laws,
- Acts of Parliament,
- The Emergency Regulations,
- The Provincial Laws passed by provincial legislatures, and
- The Underlying law which comprises certain PNG customs accepted as legally binding and the English common law and equity.

Certain decisions of the National and Supreme courts of Papua New Guinea can be interpreted under the practice of precedents as having legal force.

The English Common Law was adopted as it was in force at the time of Independence as part of the underlying law. If such principles and rules of common law and equity are inconsistent with the Constitution or a law made by Parliament or a custom accepted as law under the Constitution, then it is expressly stated that such principles and rules would be of no effect.

The Economy

Papua New Guinea, endowed with an abundance of riches in its mineral and hydrocarbon resources, in its vast fisheries, its tropical hardwood forestry, and its huge tracts of arable land, is truly a dream investment destination.

It has developed world class mines for copper, gold, silver and nickel cobalt and has since the early 90s been admitted into the exclusive club of oil producing countries. In 2014 it joined the clique of natural gas producers.

Favorable climate, volcanic soil and river valleys all over the country has ensured farming of crops such as oil palm, cocoa, copra, coffee, tea, cane sugar, vanilla, rubber and the spices.

Cattle, piggery and poultry comprise an enthusiastic, although yet small, livestock sector.

PNG contributes a third of the global tuna catch, one of the world's most lucrative fisheries product, and its exclusive economic zone is home to prawns, lobsters, reef fish, beche-de-mer and other fisheries. The potential for inland fisheries is immense given the multiplicity of riverine systems and its large inland lakes.

Its location just south of the equator and forming a bridge between Asia and the Pacific including Australia and New Zealand, gives Papua New Guinea a unique and strategic trade and business advantage.

Despite these natural attributes, Papua New Guinea has a small open economy dependent upon both exports and imports and is therefore susceptible to the vagaries of global economic and market forces.

The economy is dominated by a small formal sector focused mainly on minerals and energy, which accounts for nearly two-thirds of export earnings, but this is not reflected in Government revenue. Another third of the country's export earnings are derived from the primary sector consisting mainly of agriculture, forestry and fisheries.

There is also a very large informal sector which contribution to the economy is not easily quantified, but this growing informal sector provides a subsistence livelihood for about 88% of the people. That leaves the economic contributions of the informal sector outside of all formal value judgments, for example, as a factor contributing to Gross Domestic Product considerations.

The over reliance on the extractive sector without development of downstream processing and the failure to develop the non-extractive and services sectors of the economy has left PNG exposed to commodity price fluctuations and global financial shocks and has led to a situation whereby the country continues to face economic and fiscal imbalances.

Foreign exchange reserves are well behind what the country needs for efficient economic management causing the Bank of PNG to introduce controls for accessing foreign exchange. But these very foreign exchange controls are causing those with

foreign exchange to keep it offshore forcing the economy to further suffer.

As PNG's performance in international trade is directly responsible for this weak outcome the government has decided on an export driven economic growth strategy to keep export earnings above imports, in order that PNG can have a positive net inflow of foreign exchange.

A trade policy, detailed later in this section, was introduced in 2017 to anchor the government focus and energy on trade.

FDI destination

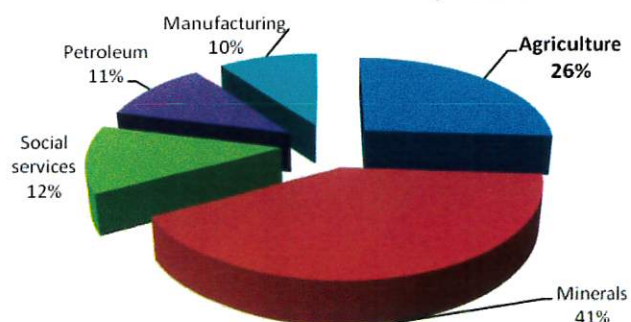
Rapid industrialization that often accompany high levels of economic growth which are the hallmarks of emerging markets has not happened in PNG although PNG has experienced consistent strong economic growth between 2003 to first gas in 2014.

Over the decade 2004 to 2014 GDP grew from USD4,177 million to USD 16,383 million, a fourfold increase over that period, demonstrating significant growth in the economy.

This phenomenal growth is not reflected in services and employment which have been in decline.

Growth has slowed significantly since 2014 and 2015 at the height of the LNG construction period and has dropped from an average 7 per cent to 3 per cent as a result of a decline in commodity prices and an El Nino related drought. Growth in the non-resource sector has been more modest at 2.4 per cent between 2013 and 2017.

% GDP contribution by sector



By 2019 the National Statistical Office announced that the GDP at current prices had grown by K4.4 billion for the year reaching a record K83.8 billion. Key contributors to this were Mining and quarrying, agriculture, forestry and fisheries and administration and support services.

Economic contracted and went into the negative in 2020 as a result of the global covid 19 pandemic and recovered to a modest 1 per cent growth in 2021 according to the World Bank.

The government projects that PNG's economy will grow by 4.6% in 2022, and 4.0% in 2023, with a marginal rise in formal sector employment, after doing poorly in 2021 due to COVID-19.

The non-resource component of PNG's economy – covering sectors such as agriculture, fisheries, forestry and tourism – portrays a more accurate picture of the economic situation, given the enclave nature of the resources sector. After negative growth in 2020, the non-resource sector is estimated to have grown by 4.8% in 2021. Projected growth rates for 2022 and 2023 for this sector are 4.5% and 4.6%, respectively, but it remains to be seen whether this will be achieved.

The 2023 budget increased government spending leading to a deficit of 5.4% of GDP. While it might have suffered from the global pandemic, PNG has benefitted from the Russia-Ukraine war, with higher petroleum prices resulting in a windfall in mining and petroleum tax revenue and an improved current account.

The World Bank reported recently that the PNG economy returned to positive growth of one percent in 2021 after contracting by 3.5 percent in 2020.

The WB said in its Papua New Guinea Update that in 2022, the extractive sector is projected to be the main driver of GDP growth – an estimated four percent – driven by the planned reopening of the Porgera gold mine. However, the report estimates that the overall medium-term growth in PNG is likely to be impacted by higher global uncertainty.

PNG is expected to face considerable challenges from the COVID-19 pandemic, despite PNG's economic output not being as severely impacted as in many other East Asia and Pacific economies. PNG's extremely low level of vaccination – one of the lowest rates in the world – means COVID-19 outbreaks put significant strain on an already-stretched public health system and pose both a risk of higher loss of life and a negative impact on domestic economic activity.

The World Bank also says that while local agricultural production continued unabated through the pandemic, PNG's overall GDP growth has lagged behind global and regional averages, with performance further constrained by falling gold and liquefied natural gas (LNG) production.

It calls for a sound fiscal consolidation focused on mobilizing domestic revenue to decrease medium term fiscal deficit and prioritize improvement to the delivery of public services.

The WB also emphasizes that further improvements to the PNG's tax policy and tax administration will ultimately help to reduce the country's debt burden.

These trends suggest a need for increased private sector investment from within and from outside the nation to support growth.

Accordingly, the government has shifted its focus from reliance on the extractive resource sector to encouraging increasing numbers of smaller players in the renewable primary industries and non-extractive resource sector that is capable of creating new employment opportunities and successfully competing in the global marketplace.

The present government's direct focus is on growing MSMEs and inviting foreign direct investment into agriculture, fisheries, forestry, manufacturing and tourism.

It has moved to maximize opportunities for foreign direct investment through reviews and streamlining of its regulatory

The Economy

and incentives frameworks such as in taxation, Investment Promotion Authority assisted processes, PNG Customs and Taxation, and the work permits and visa division, priming them to move towards digitalized processes and removing cumbersome and restrictive bureaucratic procedures in line with APEC and WTO assisted processes and programs.

Domestically, the Government is also moving to broaden the economy by incentivizing more of its citizens in entrepreneurial activity with the promotion of micro, small and medium enterprises.

A large number of these government economic policy initiatives are charged to the Department of Commerce & Industry and to the newly created Ministry of International Trade and Investment and the National Trade Office to oversee.

These policies include:

- The small to medium enterprises (SME) policy and master plan launched in March 2016;
- The National Trade Policy launched in July 2017,
- The Free Trade Zones;
- The Special Economic zones; and
- The creation of the National Trade Office.
- Focus on Infrastructure

To pave the way for these policy initiatives to have impact, the government has poured in more funding than it has ever before into opening up the country through transport infrastructure development under the 'Connect PNG' policy framework.

A number of economic corridors have been mapped out for special attention where there is great economic potential but which potential lies dormant because of lack of access.

Also referred to as "missing links", these important corridors will, once opened up, galvanize economic development.

In addition, a number of cities and towns have been selected to become hubs for specific activities, taking note of physical and geographical attributes of each.

To increase capacity to meet these plans, the government has roped in the private sector through a Public Private Partnership (PPP) policy to partner the government to build, upgrade and maintain the infrastructural landscape of the country.

The PNG government continues to work with bi-lateral and multi-lateral partners in all its development programs.

Roads

Papua New Guinea is faced with the harsh reality of poor road networks mainly in the vastly populated rural areas. Roads serve as an important link between farmers, fishermen, businesses and their markets. At present there are only 30,000 kilometers of national, provincial and district roads of which only 4,000 km are sealed. The PNG Government is aware of this and has prioritized roads transport development expending K15 billion in the last five years in this sector.

Ports/Airports

Currently a total of 21 air/sea customs ports serve as an important gateway that enables trade and the movement of goods/products in PNG. Two major seaports are located in Port Moresby and Lae. The Government and the Asian Development Bank are in the process of developing the air transport sector with combined funding of K1.8 billion. PNG Ports Corporation which controls the country's 15 main seaports, has spent over K3 billion over the last few years to improve these ports to cater for cruise tourism and the primary trade and service function. Most rural airstrips around PNG are targeted for major rehabilitation and upgrading.

Energy

Papua New Guinea still faces the challenge of maintaining a reliable power supply to consumers. The supply of energy is the sole responsibility of Government agency, PNG Power Limited. Power generation is sourced from the use of hydro's and diesel generators but of the country is without electricity.

The state company is embarking on new initiatives to improve this service in the areas of geothermal and wind farms. Hydro-powered electricity still remains the best option given the vast river systems in PNG.

Water

PNG has abundance in natural water systems. However, most urban areas have the water treated and purified for consumption, a responsibility borne by the government through state-owned entities, Water PNG.

The continued provision of a reliable water supply remains a priority of government.

Economic corridors



Under the PNG Development Strategic Plan (2010- 2030), the government introduced the concept of Economic corridors for integrated development and broad-based growth. An economic corridor is a region in which the Government provides a well-planned zoning system, a comprehensive and effective network of transport and utilities, and quality education and health services. Within this region, businesses are able to operate

at low cost and under well designed incentives, thereby encouraging foreign and domestic private sector investments. The Government has identified ten regions to be categorised as economic corridors for the purpose of development.

The Proposed 10 Economic Corridors

These are:

1. Petroleum Resource Area Economic Corridor (PRAEC): Southern Highlands, parts of Enga, Gulf, and Central provinces. The PRAEC was approved by Cabinet in May 2009.
2. Border Corridor (Western, Southern Highlands and Sandaun provinces).
3. Central Corridor - (Central, Milne Bay, Oro and Morobe).
4. Madang-Baiyer-Karamui-Gulf Corridor - (Madang, Simbu, Gulf and Western Highlands)
5. Morobe-Madang Corridor.
6. Enga-Sepiks Corridor - (Enga and East & West Sepik Provinces).
7. South Coast Corridor - (East New Britain and West New Britain).
8. Momase Corridor - (Madang, East Sepik, and West Sepik provinces).
9. Solomons Corridor - (Autonomous Region of Bougainville).
10. Free Zone Corridor - (Manus, New Ireland, East and West Sepik and Western).

Central hubs

In 2014 the Government introduced a policy to develop selected PNG cities into specialized hubs for certain types of economic activities.

- Port Moresby (Commerce)
Port Moresby is being developed into the commercial hub of the country. The key infrastructure projects for Port Moresby included expansion and maintenance of new and existing roads which is now completed, upgrade of Port Moresby General Hospital and the upgrade and rehabilitation of Jacksons Airport.
- Lae (Industry)
Lae City is being developed into the industrial base of PNG. The key infrastructure projects include the Lae Port Development Project and Industrial Park project, new and existing roads and rebuilding of ANGAU Hospital under the 2013 joint understanding with the Australian Government.
- Kokopo (Tourism)
Kokopo in East New Britain provinces is being developed as a tourism hotspot in PNG. The project began in 2014 with a K58 million allocation for water and sewerage upgrades, upgrade works to Tokua Airport and the road from Kokopo to the Tokua Airport and implementation of the tourism midterm master plan.
- Mt Hagen (Agriculture)
The city of Mt Hagen is being developed into the agricultural centre of PNG. The key infrastructure projects include new and existing roads,

redevelopment of Mt Hagen Hospital and a Mt Hagen Rice Project.

Finance and Banking

PNG's financial services industry is developing with commercial banks forming the largest part of the sector. The four commercial banks are Bank South Pacific, Australian owned ANZ and Westpac and locally owned Kina Bank. Westpac and ANZ have scaled down operations substantially leaving the business to the two remaining commercial banks.

There is still a great opportunity for this sector to grow as 80 per cent of the country is considered unbanked and access to credit forms the biggest impediment to business growth. Government and multilateral donors have made tremendous efforts at financial inclusion and financial literacy but more needs to be done given that most of the people live in rural settings.

The sector also includes Savings and Loans Societies and licensed financial institutions including microfinance companies, money changers and foreign exchange dealers.

Thirteen insurance companies deal mainly with motor vehicle, marine, employer liability, medical and brokerage.

Life insurance covers only about 5% coverage of the nation which includes both businesses and people.

All banks and financial institutions are regulated by the Bank of PNG.

Sovereign Wealth Fund

In 2012 Parliament passed an Organic Law creating the Sovereign Wealth Fund of Papua New Guinea and amended this again in October 2014. The fund is to consist of two sub-funds: The Stabilization Fund and the Savings Fund.

The objectives of the Fund are to support macroeconomic stabilisation, provide for a inter-generational equity and asset management in relation to assets accrued from mineral and petroleum receipts.

There was to have been paid into the Stabilization sub-fund 50 per cent of all mining and petroleum tax revenues; and 60 per cent of sales revenues from any mining and petroleum holdings that the state has an interest in was to be paid into the Savings sub-fund.

Further legislations to enable the operation of the fund are pending Parliament approval.

Port Moresby Stock Exchange

The Port Moresby Stock Exchange was established in 1994 with seed capital from the Bank of Papua New Guinea. A new companies Act and the Securities Act were passed providing the legal framework for the establishment of the exchange proper in 1997.

The POMSoX is incorporated as a private company and is closely aligned to the Australian Stock Exchange. Many companies presently listed on the POMSoX are dually listed in off-shore exchanges. Trading opens at 10 am and closes 4 pm daily.

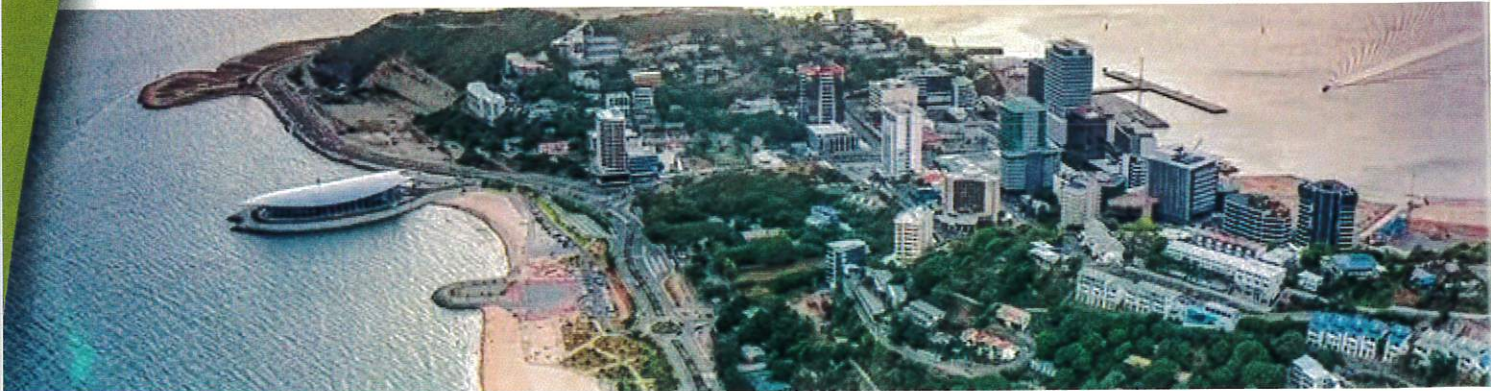
Primary Industries, Manufacturing & Services sectors



Over reliance on the extractive mining and petroleum sectors over many years, has created imbalances in the economy with the result that the country's human index rating has dropped dramatically. Social issues driven by high unemployment rates such as crime is endemic which in turn affect and arrest important potential growth areas such as tourism.

Recognizing this and to alleviate these imbalances, the O'Neill Government has formulated the Alotau Accords (I & II) in the two terms it has held office, stressing the development of the renewable primary industries of agriculture, fisheries and forestry and focus on tourism to spur wide based economic growth.

In the following pages, we profile how each of these industries are doing.



Agriculture for a vibrant & sustainable economy



Evidence from archaeological digs in the highlands of Papua New Guinea dates agriculture back to some 9,000 years, making Papua New Guineans among the oldest to till the land.

Agriculture is the economic backbone of the nation providing the basis for the social and economic survival of 85 per cent of the people and holds out the best promise for its sustenance and prosperity into the future.

The contribution of the agriculture sector to the national economy of PNG derives from the food, livestock and the tree crops sub-sectors.

It has been the mainstay of the rural economy which depends directly on subsistence agriculture and even with the introduction of the cash economy, almost the entire sector remains in small holder control by individuals, family groups or cooperatives.

Plantation type development existed for the cash crop sector prior to Independence but neglect and lack of supporting incentives has driven this sector to near extinction with the spectacular exception of oil palm.

PNG's unique land tenure system which places over 97 per cent of land in the hands of customary landholding groups has played a not insubstantial part in the lackadaisical development of estates and plantations.

An agricultural economy in the hands of the small holder is susceptible to the vagaries of economic cycles and as often suffers from quality and sustainable supply issues. As a result, the PNG's rural development record from 1975 to the present has been poor.



Despite the poor development record, agriculture's importance to the economy cannot be over stated and the potential for its development enormous.

Currently it employs over 25% of the workforce in the formal sector and contributes on average 18% of foreign exchange earnings and 25% of GDP.

The Sector Composition:

- Department of Agriculture & Livestock (policy & coordination)
- Oil Palm
- Coffee (CIC & Coffee Research)
- Cocoa (Cocoa Board & CCI)
- Coconut
- Rubber
- Fresh Produce Development Authority (FPDA)
- Livestock Development Corporation (LDC)
- Spice Board
- National Agriculture Institute (NARI)- research/training
- NAQIA - Biosecurity
- National Development Bank (NDB) – credit facility

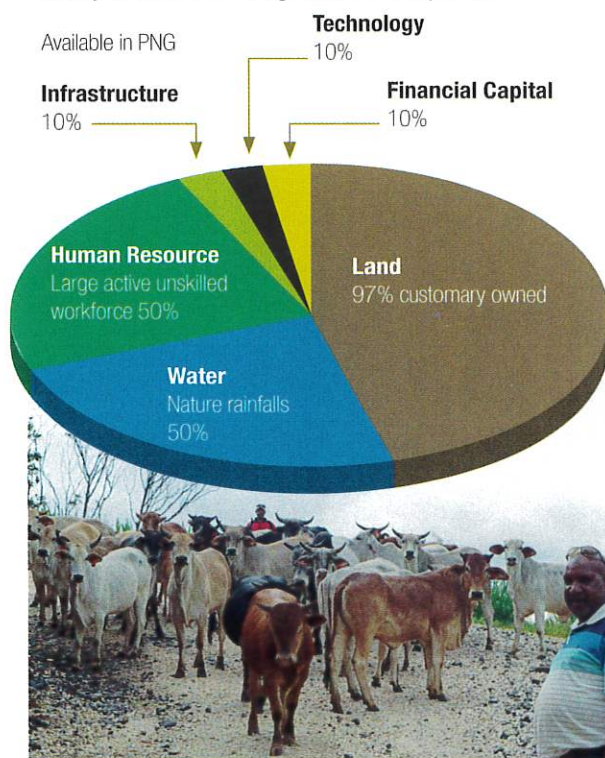
PNG Government Planning Framework

| Policy | Objective | Agriculture Focus |
|-------------------------|--|--|
| PNG Vision 2050 | Highest quality of life for all citizens | Build modern, market driven & competitive sector |
| PNGDSP | PNG is prosperous & middle income earner by 2030 | Increase in numbers of SME's & entrepreneurs |
| MTDS | Government's development agenda are implemented | Increase volume of public & private sector investments in the agriculture sector |
| AGRICULTURE (2014-2017) | Transform PNG Agriculture Sector | Increase productivity, production & trade |

Sector Objectives and Rural Community Expectations

| | Agriculture Sector Objectives | Rural Community Expectation |
|---|---|--|
| 1 | Increase domestic & export revenue | Increase income for individuals & families |
| 2 | Increase number of SME's & large entrepreneurs | Increase opportunities for employment & business. |
| 3 | Increase number & volume of large new investments | Easy access to quality basic services like health, education, clean water, shelter & infrastructure. |

Primary determinants for agriculture development:



National constraints & limitations

The PNG Vision 2050 and National Development Strategy 2030 stress the importance for development of agriculture and other renewable resources sectors of forestry, fisheries, tourism & manufacturing, placing them as critical cornerstones for economic development, building world class infrastructure and achieving social progress over the medium and long term.

These sectors combined employ over 90% of the workforce.

Taking into account PNG's strengths, opportunities and challenges where 97% of the land is customary owned, there is enormous potential for growth and development that lies dormant in our rural areas today.

Challenges are found in the lack of trained manpower, in securing advanced agro-technology and adequate capital allocation. All of these challenges, present as problems today, can be flipped over to become opportunities for foreign direct investment.

What is required is further policy interventions and offer of attractive incentives by Government in order to attract major direct foreign investment into the sector to unleash the dormant potential there is in this sector.

Global Issues and Challenges

As a small and open economy, slowing growth and rising risks in the global economy and world commodity prices volatility are immediately felt in Papua New Guinea. This implies risks for business profitability and government revenue translating to lower per capita incomes.

Currency volatility poses a huge risk to agriculture and other renewable resources sectors, many of which are currently exporting raw materials overseas.

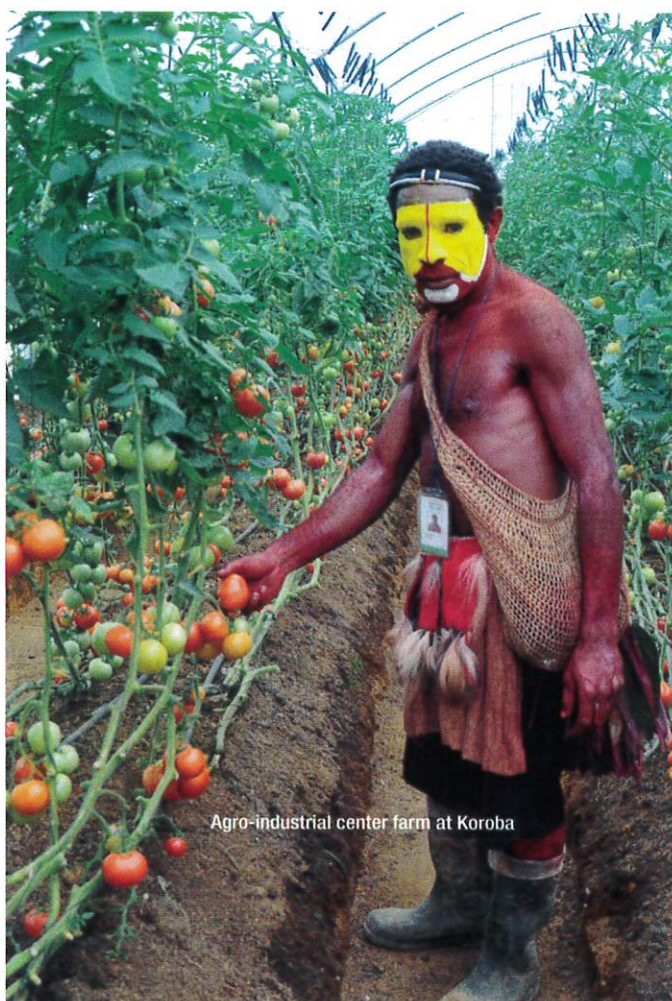
Growing world population, rising incomes in the developing world and increasing use of biomass for biofuels and for industrial applications will drive unprecedented growth in demand for agricultural crops over the next decade and beyond.

Energy crops are competing against food crops in the use of land.

The UN estimates that 12.19 million hectares of land are lost annually due to deterioration (expanding deserts and soil depletion). This scarcity of land will drive prices of agricultural commodities and of farmland for the foreseeable future.

Despite the advancement in science and technology in the 21st century, the risk of food shortage dominates many countries' concerns due mainly to the increase of world population (over 9 billion by 2050) and shortage of good farming land.

According to Committee on World Food Security (FAO APRC, 2012) close to one billion people (1 in 6 human beings), suffer from hunger and more than 200 million children under 5 years of age suffer from malnutrition.



Agro-industrial center farm at Koroba

In addition to food security, food safety is of increasing concern with incidences of food borne illness and food poisoning prompting government interventions in the way food is produced, processed and handled.

There is heightened awareness globally for the long-term effects of unchecked global warming for the livelihoods of people especially in the agriculture sector. It is essentially clear that both developing and developed countries are negatively affected by adverse climate change.

Clearly new approaches will be needed for a climate-constrained agriculture and high priority in this regard is disaster preparedness and response.

Agriculture is highly exposed to climate change as farming activities directly depend on climatic conditions. Agriculture also contributes to the release of greenhouse gases to the atmosphere and therefore to climate change. However, agriculture can also help to provide solutions to the overall climate change problem.

Opportunities for the Agriculture Sector

The growing demand for agriculture is a major trend in the world and provides opportunities for agriculture-oriented countries such as PNG and investors who wish to diversify their portfolio and earn attractive returns.

The rapidly growing world population combined with the changing diets of emerging markets towards western protein based diet raises the demand for agriculture. For example, China has raised meat consumption by over 300% since 1980. To produce 1 kg of meat, 9 kg of grain is needed. In the same manner, trend towards renewable fuels increases the demand for biofuels.

All PNG's export commodities cannot compete on volume in the world market at the present time. Some like cocoa, coffee and oil palm are currently highly competitive in some niche markets. Fortunately, like the food industry, global market trends in other areas of agriculture are also changing with many new opportunities for niche markets.

The World Bank, in its Agriculture Action Plan, has committed to improve agriculture's role in providing food security and in raising incomes of the poor.

Current Scenario

Over a third of PNG's land area is suitable for agriculture but only 4 per cent is used for commercial agriculture. This presents a huge opportunity for new players to enter the sector with Government driving the agenda by offering incentives and providing leadership in releasing the huge tracts of arable land under customary control.

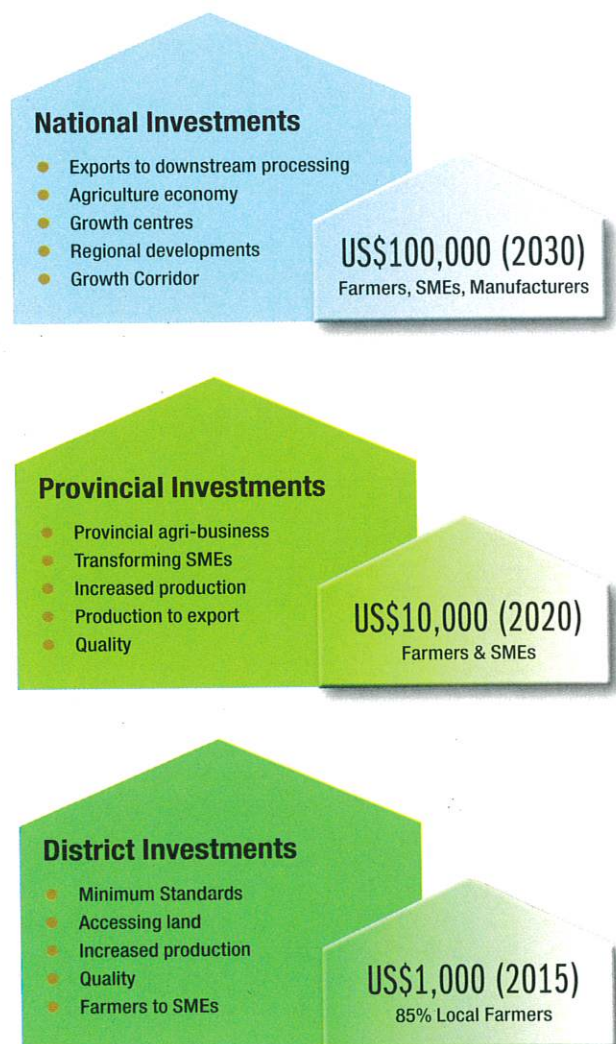
Livestock contributes 13 per cent of the total domestic food production. Despite an abundance of natural resources suitable for livestock production and enviable low disease risk status, other livestock production has not increased significantly. On the other hand, meat consumption is increasing steadily. The cost of imported livestock products has increased, exceeding K130 million per annum.

The strategy of the Government in growing agriculture is presented by the following diagrams.

1. Transforming the economy



2. Road Map for Transformation

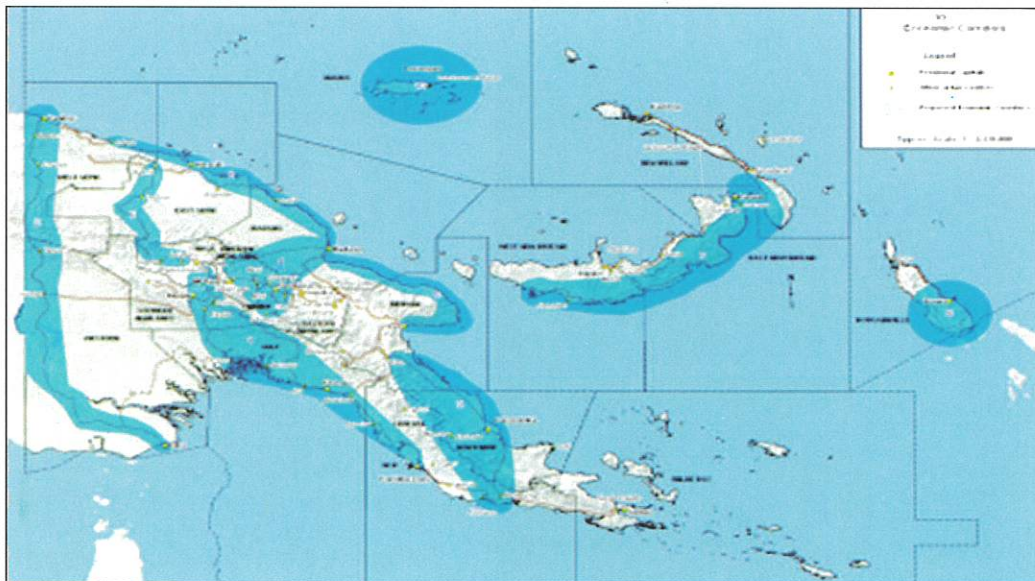


3. Policy Framework and Investment Focus

| Investment Area | Expectations | Deliverables |
|------------------------|--|---|
| National Investments | <ul style="list-style-type: none"> • Exports to downstream processing • Agriculture economy • Growth Centres • Regional developments | Investment incentives: <ul style="list-style-type: none"> • Tax concessions/incentives/pioneer status. • Support national land mobilization programs • Total development-infrastructure and agri-business investments |
| Provincial Investments | <ul style="list-style-type: none"> • Provincial agri-business • Transforming SMEs • Increased production • Production to export • Quality | Investment enabling environment: <ul style="list-style-type: none"> • Land mobilization programs to support farmers & investment • Provincial infrastructure support programs • Focus on agriculture economy- SME |
| District Investments | <ul style="list-style-type: none"> • Minimum standards • Accessing land • Increased production • Quality • Farmers to SME | Minimum standards for districts: <ul style="list-style-type: none"> • Extension support • Enabling environments • Information |

Economic Corridors

The government strategy to open up economic corridors or “missing link” areas (shaded areas in map) will galvanize agricultural development as access to markets are opened up.



Conclusion

In sum, agriculture presents some of the biggest opportunities for foreign direct investment in Papua New Guinea. Up to the present much of the FDIs have tended to be in the extractive mining and hydrocarbon sector, in forestry and fisheries and forestry sector and in some manufacturing, especially in the canning business.

The Government is actively pursuing the opening up of special economic zones throughout the provinces to encourage investments in agriculture.

National government incentives and funding will be based on designed projects and programs that will bring tangible results to improve sector competitiveness and reduce competition within the sector.

APEC economies, while providing competition in agriculture in some respects, also present tremendous opportunities and markets in other aspects.

Website: <http://www.agriculture.org.pg>



Forestry

PNG has a land footprint of approximately 45 million hectares.

It is estimated that approximately 37 million hectares are forested.

Due to the rugged terrain and inaccessible nature of significant areas in PNG the estimate of the potential area suitable for forestry is approximately 15 million hectares.

Two-thirds of PNG is under forest cover and the official timber harvest is well below the estimated national sustainable timber yield.

Under the canopy of the tropical rainforest the Papua New Guinean has lived in isolated communities depending directly upon the resources to be found in his environment. The forest provided food, shelter, safety, medicine and spiritual balance.

When the western civilization and its cash driven industries and way of life intruded, the majority of Papua New Guineans could find security only in their forest which they now had to sacrifice in order to find the means to survive in the new world.

Increasing population and demand for development and a move towards western type cash economy have impacted forests and forestry. That is because there are lack of basic goods and services in the rural areas where most or all of the forests are to be found. More forests have to be felled to cater for the needs of the growing population. So as the population grew the forest receded.

Forests have also brought development directly to these rural areas and peoples through the harvesting of round logs for direct export or for processing. Landowners earn an incomes through timber royalties, employment and through access roads, jetties and airstrips and through the provision of health and education facilities.

The PNG Forest Authority reports that the area and number of timber concessions have increased over the years from an



area of a little over 1,000 hectares in 1940 to 11 million by 2009. The forest resource in many of these concessions have been exhausted.

The future of the industry is fraught with uncertainty at this time.

The forestry industry was hit hardest by Covid 19 between the years 2019 and 2022, not the least because much of the industry is dependent on export of round logs and the destination of most of the logs is China, where Covid restrictions were at their strictest.

Government pronouncements since 2019 to move the industry from being log export dependent to value adding onshore and a drastic increase in log export tax from 35 per cent to 59 per cent also took its toll on the industry.

Processing plants were equally hard hit by the corona virus with the largest processing factory at Panakawa, Western Province and the Vanimo Forest Products also closing down their operations.

The hard hit industry is now awaiting government policy to increase processing and restrict log exports into a working framework and for policy details to be announced.

PNG's main market for its tropical hardwood logs in Japan has virtually dried up with Japan shifting from tropical hardwood to softwood production.

PNG log exports peaked at 4 million cubic meters in 2018 and has progressively slid every downwards so that two years later, it had dropped 1 million cubic meters to below 3 million cubic meters.

By a rough comparison, PNG exports between 3-4 million cubic meters of hardwood while soft wood producers control the market with larger volumes. NZ produces 13 million cubic meters, British Columbia (Canada) produces 25 million cubic meters, and Oregon and Washington, USA produce 27 million cubic meters.

PNG is a small spot seller on a very volatile international wood markets.

Whether its hardwood logs or veneer and saw timber, the tropical hardwood market has virtually fallen flat, according to the Forest Industry Association.

The world is going over to softwood plantation products from temperate countries.

Despite this gloomy outlook, the forestry sector remains important to the economy, contributing 8.6 per cent of Gross Domestic Product.

In 2014, the National Executive Council endorsed a national definition of forest as "land spanning more than one (1) hectare with trees higher than three (3) meters and (d) canopy cover of more than ten (10) per cent.

Within the parameters of this definition, PNG has a total of about 37.1 million hectares of forest. These forests include Rainforest, Woodland, Savanah and Scrub. The production forest area has been estimated to be 21.3 million hectares and

8.4 million hectares is under forest concessions for economic development while 12.9 million hectares is future potential production forests.

Production Forest areas comprise High Quality Tropical Hardwoods and other forest products and are a major export revenue source.

PNG has a total commercial plantation area of 62,277 hectares. Valuation of the plantations was estimated to be PGK123 million. (PNGFA & Aus-Aid 2005).

There are over 30 medium-to-large scale operational timber projects throughout the country. Ten are major impact projects under Forest Management Agreements. Annually, over 70 small scale timber harvesting and processing operations are carried out throughout the country.

Existing initiatives that the Forest Authority is implementing such as the PNG Logging Code of Practice (PNGLCOP), the Timber Legality and Traceability Verification (TLTV) and the Forest Stewardship Council (FSC) certificate will continue and be refined to meet new challenges, including the effects of climate change.

PNG, along with other rainforest nation countries pushed for a mechanism that will address reducing emissions from deforestation and forest degradation and compensating those countries that have forest cover.

While it was eventually adopted as a mechanism under the UNFCCC framework as REDD+, unfortunately, PNG itself did not have in place a policy to guide how this process will work.

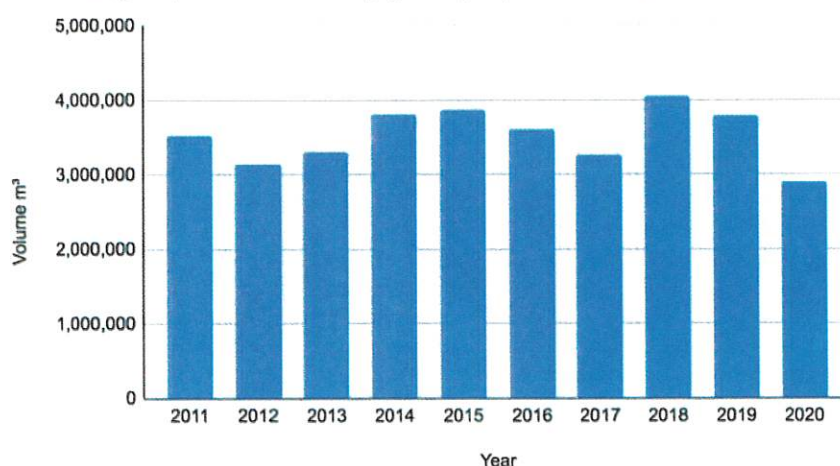
As a result of the lack of a policy, the Forest Authority developed its Forestry and Climate Change Framework for Action (FCCFA) to assist in identifying and developing some mitigation measures particularly from the forestry sector. It provides a strategic platform that will foster, develop and strengthen partnerships for implementation of national, provincial and community initiatives.

Monitoring and control of wood and forest-based industries and management of PNG's forest resources are the responsibility of the Papua New Guinea Forest Authority (PNGFA) which was established in 1993. The former Department of Forest was replaced and all Provincial Forest Divisions and the Forest Industries Council were unified under the PNGFA. The PNGFA has 19 provincial offices which include five regional offices.

There are three key arms of the forestry administration of PNG including the National Forest Board, respective Provincial Forest Management Committees and the National Forest Service.



PNG Log export volumes by year (m³) 2011-2020



Products

The forest industry is focused on the harvesting of natural forest areas for round log exports. Plantation log exports account for approximately 10 percent of industry production while round wood equivalent of processed exports equates to around 30 percent of industry production.

Raw logs provide most of the export volume and value, although sawn timber and veneer have become increasingly important of late. There is limited plantation production and only a limited number of export oriented processing facilities. Very few finished wood products are manufactured in PNG itself.

The forestry products of PNG are:

- **Raw log exports**
- **Sawn timber**
- **Veneer sheets**
- **Domestic log sales**
- **Plantation logs**
- **Plywood**
- **Processed timber exports (e.g., housing frames and furniture)**
- **Woodchips**

Market

Log exports go to eleven countries, all in the Asia region. More than 80 percent of log exports go to just three countries, China/ Hong Kong, Korea and Japan.

China is the principal market for round logs from PNG. It imported over one million cubic meters of logs from PNG in 2002 rising to 1.7 million cubic meters in 2005 – accounting for 74.6 percent of PNG's log exports. The major markets for processed and semi-finished products are Australia, New Zealand and various South Pacific countries. Veneer is predominately exported to China and South Korea.

Major Companies

There are 29 forest concessions currently in production, covering a total area of 3.5 million hectares. Private companies control all commercial timber production from natural forest areas. The role of the State is limited to monitoring and control and it does not play an active roll in forest management. Companies that are directly or indirectly owned or controlled by Malaysian multinational companies dominate commercial timber production.

One company, Rimbunan Hijau, controls over 45 percent of log exports and 5 companies together control over 80 percent of the market.

The next three largest companies in terms of their market share are WTK, Kerawara and Innovision who together control about 25 percent of log exports (respectively 10 percent; 8 percent; and 7 percent). WTK has logging operations in West Sepik, Madang, Western and West New Britain Provinces, Kerawara in East and West New Britain and Central Provinces. Innovision has one logging operation at Makapa in Western Province.

Under the Forest Act 1991, the PNG FIA is identified as the body recognized to represent the interests of the industry, and has a position on the National Forest Board.

Legal Framework

The principal relevant legal Acts are:

Environment Act 2000

Forestry Act 1991; and

Forestry Regulations 1998.

Challenges: The biggest threats to forest and forestry are the growing population, the national agricultural plan which is predicted to create significant conflict in land use; the influx of more companies into bio-fuel projects, the growing trade-off of forests for infrastructure development and the increasing needs of the rural people for a source of income to meet the costs of basic goods and services through such initiatives as carbon trading.

Reforestation levy program

The government adopted a major policy document called Strategies for Reforestation. This document was approved by the National Forest Board in 2013. It is an important policy document which will support the PNG Forestry's drive in securing land to undertake reforestation program to meet the government's approved target of 800,000 hectares of forest plantation.

Also approved by the National Forest Board in 2013 is another document called Strategies for domestic Processing, which set a direction for onshore processing of forest products in PNG.

This initiative will improve PNG's international standing and commitments and support the economy through an expanded domestic wood processing industry.

PNGFA is also coordinating the amendments to the Forestry Act with the Constitutional Law Reform Commission (CLRC) to accommodate for Climate Change & REDD+ activities and other areas where the National Forest Board and the National Forest Service saw the need to amend.

This coordination started in 2014 before the passing of the Climate Change (Management) Act, 2015.

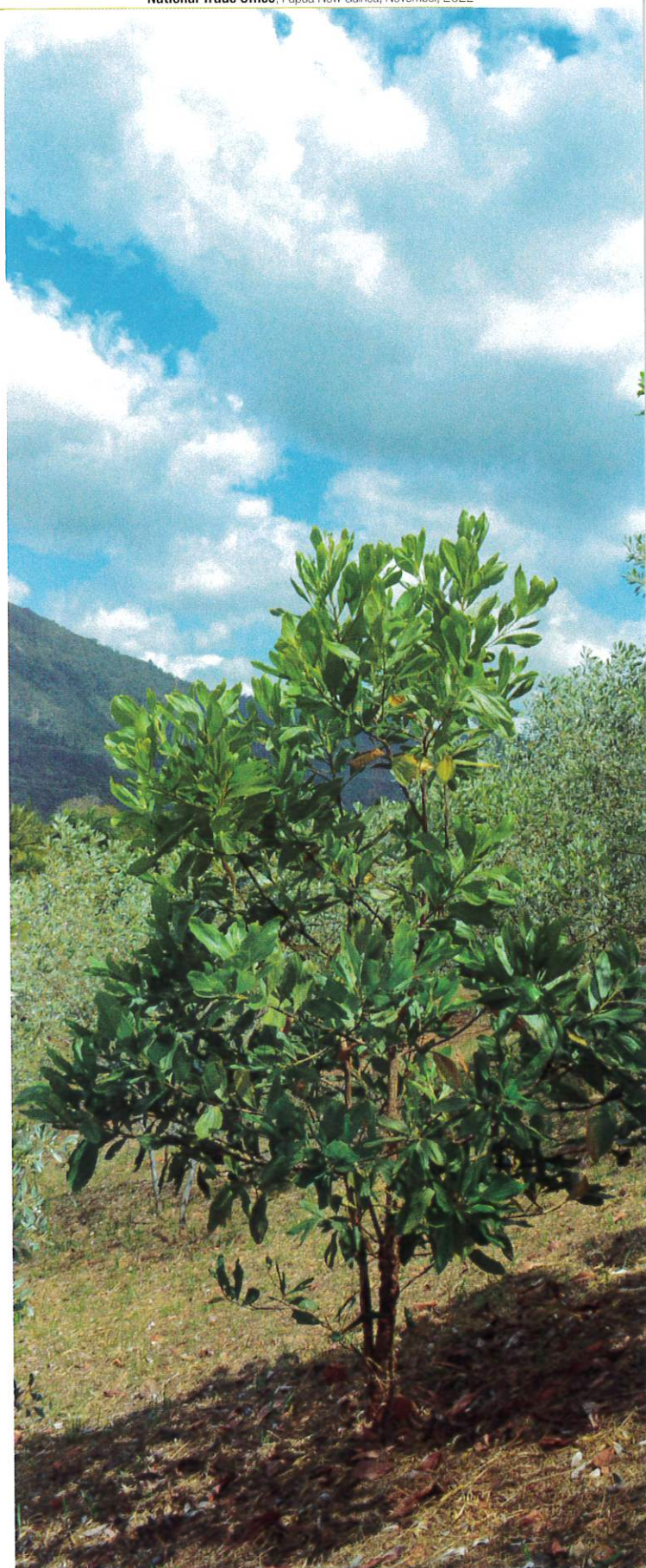
Country Specific Guidelines:

The Authority completed the PNG Country Specific Guidelines (PNG CSG) in response to the Australian Illegal Logging Prohibition Act of 2012. This policy is ready for use by the Timber Importers and Exporters from both PNG and Australia.

Forest Plantation and Management Branch (FPMB):

This is a major project codenamed "Painim Graun na Planim Diwai", tasked with a target vision to achieve a forest plantation covering 800,000 hectares by 2050.

The overall objective of this project is to contribute to the implementation of PNG's policies and measures for climate change mitigation, and support the PNG Forest Authority to implement a continuous and multi-purpose NFI as part of a National Forest Monitoring System that will fulfil the UNFCCC Cancun and Copenhagen decision requests.



Fisheries offer attractive investment opportunities



Papua New Guinea can diversify its economic base and strengthen economic growth into the future by developing its rich fisheries and marine resources sector.

Its waters and that of its Western Pacific neighbours are home to a rich variety of fish, with tuna the most valuable harvested for commerce and trade.

These waters provide almost 60% of global tuna catch, contributing an estimated US\$42 million in end value to the global economy annually.

But only a fraction of the wealth tuna generated trickles back to improve living standards and way of life for the people of PNG.

For a long time, Pacific nations have relied on access fees paid by distant water fishing nations to fish and take catches back to their countries for processing and export.

The sovereign rights of these nations to manage their own fishery was recognised and strengthened further when the United Nations Convention on the Law of the Sea was enforced in 1982.

Since then, the Papua New Guinea Government has shifted its attention to downstream processing, recognising that there was more to gain from the abundance of our tuna than just annual access fees.

Various incentives were offered to foreign investors willing to build processing plants and canneries for tuna processing, loining and canning for local consumption and export.

The first cannery was built in Madang in 1997 by R D Tuna of Philippines. Since then, 5 other processing plants have been built in Wewak (1) and Lae (4). These plants represent a combined aggregate (foreign direct) investment valued at K915 million.

The National Fisheries Authority estimates that annually the combined aggregate export of tuna is valued at k1.7 billion, based on catch of about 285,000 metric tonnes.

The tuna management is by far the biggest income earner for the national government, earning over K600 million annually in access fee mainly from purse seine fishing.

The purse seine fishing component of the tuna fishery is managed sub-regionally by the parties to the Nauru Agreement (PNA) through control of purse seine fishing effort or what is known as the Vessel Day Scheme (VDS).

One of the biggest incentives to investment besides access to the large tuna resource is the duty free access into the EU market coupled with Global Sourcing which is unique to the Pacific region.

In January 2018 the PNG Government introduced a new policy to incentivise processing in PNG rather than feeding other economies with raw fish. This would ensure value adding was optimised in PNG. An increase in production in all 6 plants would create more jobs for locals, and encourage spin off benefits in the local communities.

A Rebate Scheme now in force was formulated through extensive consultation with industry and other stakeholders. It provides US\$400 for every tonne of tuna processed in the processing plants in PNG.

The Rebate Scheme returns to the investor any cost above the cost of production in the Philippines or Thailand. The Government is also considering a refund of a portion of the VDS fees to PNG based fishing companies for catches landed for processing in PNG. This is additional incentive to offset high costs associated with high fuel costs, wharfage delays, etc.

The Rebate and Refund Schemes are attractive incentives offered by the National Government, and it is envisaged in the not-too-distant future, the nation will see more investment in fish processing in the country.

The export of fish and fishery products is shown in the table below. Tuna products contribute more than 90 percent of total export volume and value. Indicative figures for 2017 shows further increases in both export volume and value due largely to further increases in raw tuna exports (as in 2016) together with additional exports from the reopening of the beche-de-mer fishery. Preliminary 2018 figures made available so far shows significant increased exports from tuna processors under the new (Rebates Scheme) policy.

| PNG export of Fish and Fishery Product | | | |
|--|-------------|------------------------|-------------------------|
| Year | Volume (MT) | Value(USD) in millions | Value(Kina) in millions |
| 2012 | 109,566.3 | 285.5 | 594.2 |
| 2013 | 101,782.2 | 255.4 | 578.7 |
| 2014 | 103,391.7 | 235.1 | 578.9 |
| 2015 | 105,457.6 | 244.5 | 682.8 |
| 2016 | 176,463.1 | 336.2 | 1,056.5 |

Source: NFA

Potential for investments within the fishery sector remains high. In coastal fisheries, investments in supply chain management, value-adding and community orientated fishing activities are worth considering. Aquaculture is yet to be fully developed commercially in PNG and so there is great potential in this fishery.

The National Fisheries Authority (NFA) is responsible for the management and sustainable development of the fisheries and marine resources. The NFA was established as a statutory authority in 1988 (National Fisheries Management Act 1998) and is recognized regionally as a premier fisheries organization.

It has developed capacity in fisheries management, monitoring control and surveillance, fisheries development and trade, and in food security. It has a state-of-the-art Fisheries Information Systems (FIMS) to monitor and manage licensed fishing vessels under the Vessel Day Scheme (VDS). This technology, developed in PNG, ensures integrated fisheries management, including monitoring catches in real time basis, and track catches to landing, processing and export.

NFA is one the first organizations within the Pacific Islands region to become a EU Competent Authority for the European Union. A recent requirement of the European Union is for PNG to introduce a Catch Documentation Scheme (CDS) to monitor catches from all vessels operating within PNG waters as a deterrent of Illegal, Unreported and Underreporting (IUU) activities. This has been embraced.



Tourism, the Untapped Potential

THE Tourism Sector in Papua New Guinea has a huge potential for growth which has remained vastly untapped in terms of investment and development.

The country currently hosts almost 200,000 international visitors every year with the business segment commanding the larger market share of about 50 percent while the tourism segment represents 35 percent. All combined, the travel and tourism sector contributes about K1.2 billion annually to the economy. However, the tourism numbers and revenue flow are expected to increase in the coming years and more and more emphasis are now placed on tourism development.

By all accounts the potential for growth in this sector is immense. PNG's strategic geographic positioning and its diverse flora & fauna, its dazzling natural beauty and its relatively intact and diverse traditional heritage are each main tourism products. In fact, Papua New Guinea remains an adventure destination for lovers of nature-based activities such as bird watching, trekking, diving, surfing and fishing to name a few.

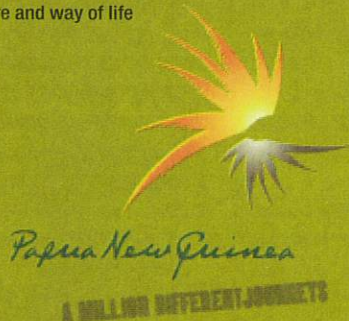
While there are challenges for the tourism sector similar to those in many developing nations, the Government of Papua New Guinea has taken serious strides in the last 5 years to boost tourism growth. This has mainly been in the areas of increased investment in international brand hotel development, major infrastructure projects including re-development of airports and wharves and opening up access to remote pristine islands and atolls for international cruise ship visits.

A number of major interventions by the private sector in key sectors such as cruise ships operations, staging and hosting of major events and activities such as the 2018 APEC meet and the staging of the Women's Under 20 World Cup in 2017 have provided the impetus for the growth of tourism.

The National Tourism Development Plan (2022 – 2027) envisions the overall economic value of tourism in the nation



Keeping traditional culture and way of life alive in Milne Bay



PNG is dotted with pristine tropical islands



Sharing a few light moments with children is always fun.

to double the numbers of tourist arrivals in Papua New Guinea every five years and to maximize sustainable growth for the social and environmental benefit of all Papua New Guineans.

Inter-agency cooperation is the cornerstone of the National Tourism Master Plan which the Tourism Promotion Authority is charged as lead agency to co-ordinate. The Plan acknowledges that infrastructure and social issues such as crime need urgent addressing and that cooperation and coordination throughout all levels of Government is essential for success.

The Plan emphasizes partnership between government, industry and the people. The five main pillars of the plan include marketing and promotions; infrastructure development; product development; institutional partnerships; and human resource development in the tourism sector.

A major World Bank funding of US\$20 million to the Papua New Guinea Government through the National Tourism Office to develop tourism hubs in Milne Bay and East New Britain Provinces will most definitely spur growth in the sector in the coming years.



In terms of tax breaks for investors there are two main incentives, namely double tax deductions and accelerated depreciation. Double tax deductions can be gained by operators who promote PNG overseas, while accelerated depreciation is geared towards larger investments in the form of hotel or restaurant construction.

Double deductions are available for overseas marketing and promotional costs such as those related to advertisements and travel. Meanwhile, accelerated depreciation applies to capital equipment such as a boat engine as long as it is used within the tourism field. Under this arrangement, the piece of equipment in question will receive an initial year accelerated depreciation rate of 55 percent, followed by 10 percent per year for the next 3 years. The item also qualifies for an initial 15 percent depreciation rate under Section 75 of the Income Tax Act, thus adding to the initial value in four years. In addition, large scale accommodation projects can benefit from a concessional 20 percent tax rate for the first 10 years of income generation. This initiative also applies to smaller tourism infrastructure upgrades such as hotel renovation or room expansion.

A whole of Government approach is realising such incentives in the tourism and other investment sectors.

Papua New Guinea also has a vibrant tourism industry association which supports new investment opportunities while encouraging growth and meaningful participation by locals in the tourism sector.

Geography and physical attractions

PNG's geographical location is ideal and is a bridge between Australia, New Zealand and Asia. Yet its tourism figures do not reflect this.

The physical beauty of the country from its pristine beaches and turquoise lagoons, to meandering rivers and their lush river valleys, the mist covered mountains and temperate climate, untouched virgin forests and magnificent inland lakes are an attraction as comparable as the best in the world. Tourism PNG has hardly scratched the surface of this potential.

PNG's unique flora and fauna abound, some quite unknown to science, for nature enthusiasts to explore. Bird watching is a special niche market that is now beginning to attract its share of bird watchers and it is bound to grow because PNG is home to 38 species of the world's 43 known birds of paradise. Eco-tourism, bungalows, village visits and such like is being conducted in selected places. The potential in this area is enormous and also barely touched.

The need to create huge wildlife reserves and special sanctuaries to protect birds of paradise is an urgent need that will drive tourism in future. As the population grows, the bird of paradise population is being depleted to extinction levels. Several species might already be extinct in wildlife because of the cultural and cultural obligations and now an increasing economic value for their feathers.

The sea and waterways

PNG is surrounded by water and is half drowned in water on land. Water activities rank high on any tourist's "must-do" list. Cruising, exploration, fisheries, surfing, watercraft racing, scientific exploration and a whole range of potential water borne tourism product potentials exist in Papua New Guinea. This opportunity too is almost completely untouched. Game fishing, cruise ship visits and surfing are taking off most recently and promoted well, the potential is enormous. There was an attempt at kayak racing in Manus once and this must be promoted along with other watercraft racing. If a major yacht race were to be attracted to PNG, the future would be very bright indeed.

History

World War II has left an indelible imprint on our land and in our lives. Today our war cemeteries at Bomana, at Lae and at Kokopo as well as war relics and famous battle grounds and treks continue to attract tourists. Better organized and promoted, this potential can definitely attract many more tourists than it currently does.

A part of PNG's history that does not make it out to the world and which has potential is that of the efforts of the missionaries and of the early explorers and settlers. Since visiting of friends and relatives is fairly high on our tourists list, promoting this part of history – for instance the Chinese or Indian or Malayan communities in our country can attract people from these parts to visit.

Our resources projects

Some of the world's best mines are operated in Papua New Guinea. Bougainville Copper (now abandoned), Ok Tedi, Misima, Porgera, Lihir, Hidden Valley, Kainantu, Tolokuma and Ramu Nickel mines have each required engineering feats that are world firsts in many ways.

PNG's first LNG plant and its oil exporting facilities previous to that are also unique engineering feats. Soon a world frontier in deep seabed mining will be fully operational in PNG waters.

No effort should be spared to actually build a tourism product around these resources projects and other major development projects including large agricultural estates.

Our people and our heritage

And of course, there are the people. The multiplicity of languages, the myriad of different traditional practices, variations in songs and dance, each tribal community's way of life are special and unique. They require a marketing and a promotion drive to attract visitors to PNG's shores.

Infrastructure

Infrastructure plays critical a key role in the functioning of an economy. Be it roads, bridges, roads, jetties, Airports, railways, telecommunications towers, desalination plant, dams or power pylons, PNG is in dire need of them to drive its development agenda.

In the rush to grow the economy, successive administrations since Independence have neglected the utilities services, development's critical enablers.

Infrastructure enables trade, powers businesses, connects markets and farms, connects workers to their jobs, creates opportunities for struggling communities and protects the nation from an increasingly unpredictable natural environment. From private investment in telecommunication systems, broadband networks, freight railroads, energy projects and pipelines, to publicly spending on transportation, water, buildings and parks, infrastructure is the backbone of any economy.

In this regard these services in themselves offer tremendous potential for serious investment decisions.

Climate, topography, population, culture, economics, and finance all conspire to raise significant barriers to providing economic and social infrastructure critical to Papua New Guinea's future development.

Compared to developed economies, the physical stock of infrastructure assets in Papua New Guinea is insufficient to deliver the economic and social services needed to drive faster economic growth and improve human development. It faces significant choices as a result that may also be influenced by the public infrastructure requirements of foreign direct investment in export oriented extractive resource sectors.

A lack of effective national infrastructure planning and funding constrain PNG's economy and its ability to improve the lives of its citizens through provision of these infrastructure services.

This shortcoming, however, can be turned into an opportunity for investment in these very areas of energy, telecommunications, transport, and urban water.

To underpin the opportunities with policy, the government has introduced a 'connect PNG' policy under which it means to ensure all parts of the country is connected via roads and bridges, via telephony communications, by energy grids and have reliable water and sanitation.

We take a snapshot of the opportunities available.

1. TRANSPORT

Poor development of transport infrastructure (road/water/air) services are seriously restraining inclusive economic growth in Papua New Guinea. This holds back living standards and

In addition, there are a number of relatively large, isolated industrial developments. The government also established around 150–200 'C' centres in the 1980s for the purpose of electrifying rural areas; however, very few of them remain operational. The current unconnected nature of PNG's networks needs urgent addressing.

The Department of Petroleum and Energy is notionally responsible for PNG's energy policy and planning. However, the state-owned and corporatised PNG Power Limited (PPL) is almost by default the energy planner in Papua New Guinea by virtue of its technical capabilities and position at the centre of the major sources of electricity generation and network arrangements.

To date, private sector participation in the power sector has not involved significant generation, transmission or distribution of electricity for retail customers (households, commercial businesses or industrial businesses). Participation has focused more on capital generation sources to support isolated industrial sites (primarily mining operations).

Some isolated power projects have been undertaken in the Western Province. Six mini- grids were established by PNGSEL, a fifty-fifty joint venture between PNG Sustainable Development Program (PNGSDP) and Snowy Mountains Engineering Corporation (SMEC).

PNG policymakers face a number of challenges in the energy sector:

- (1) Pursuing rural electrification through renewable sources. The current approach to rural electrification seeks to develop renewable energy sources. Renewable technologies will be critical in providing PNG's rural population with affordable, sustainable, safe, robust, and reliable electricity.
- (2) Seeking PPP opportunities in generation and distribution. PPP opportunities are considered more likely in the generation and distribution/wholesale sub-sectors than in the supply/retail sub-sector. Independent power producers are more likely to engage in PPPs, potentially under concession arrangements with public sector partners. By contrast, captive generation projects are more likely to be fully private ventures with little public dimension to them.
- (3) Improving land management to realise small scale opportunities. PNG's significant hydro resources would favour small-scale generation projects. However, land management will be a critical issue in ensuring their success, and where they are not stand-alone projects, negotiation of feed-in tariffs to PPL systems will also be important.
- (4) Pursuing a regulatory approach to encourage more investment in distribution. Private sector participation in distribution and supply is currently minimal. Attracting private investment will require an enforceable regulatory regime that balances the

consumer interest in reasonable tariffs with the need to ensure a sufficient and predictable commercial return to attract private investment.

3. TELECOMMUNICATIONS

Telecommunications in Papua New Guinea has improved significantly. Economic deregulation of the Mobile Telephony market and the 2008 rollout of Digicel's network connected millions of PNG citizens to the internet. Despite this, service outages are commonplace and penetration remains among the lowest level in the world. Papua New Guinea was ranked 163 out of 169 countries by the International Telecommunications Union (ITU) in 2013 in terms of internet affordability.

Papua New Guinea faces a number of telecommunications challenges. Internal prices are too high, limiting access and imposing undue costs on all levels of society. Entry-level internet packages appear to be above the International Telecommunication Union's benchmark required to accelerate internet penetration (i.e. less than 3–5 per cent of monthly average income).

To increase capacity, Papua New Guinea needs new international internet bandwidth. It also needs secure, reliable high-speed domestic connectivity infrastructure.

These challenges are driven in part by the current performance of the PNG telecommunications market, which can be explained in terms of population penetration, connectivity, and market structure.

Current demand for services is constrained by several factors. Fixed broadband penetration is essentially almost zero. Even though nearly half the population has wireless access, 3G/4G services across the country are scant as are fixed-line services. The latter may not be as relevant if the cost of establishing wireless services enables Papua New Guinea to 'skip' a generation of telephony infrastructure by avoiding copper wire installation and going direct to digital services.

Access to broadband is also determined by global connectivity. For a population of approximately 8 million, Papua New Guinea has two submarine cables providing approximately 2.5 Giga bytes per second (Gbps) of capacity. In contrast, Singapore, a high-income economy with a population of around 5.5 million, has 15 submarine cables landed at three separate locations providing bandwidth that exceeds 56.1 terra bytes per second (Tbps).

Demand for bandwidth is rising in Papua New Guinea and expected to grow from 2.5 Gbps at present to just over 450 Gbps by 2040 (medium scenario). Given all the limits of its current infrastructure, Papua New Guinea will not be able to meet this demand.

Several weaknesses of PNG telecommunications infrastructure need to be improved:

- (1) **Capacity for Port Moresby:** currently it has only 1 Gbps of submarine international cable bandwidth and some limited satellite/terrestrial fibre capacity.

Demand is expected to increase in the next 15 years to around 10 Gbps.

- (2) **The Domestic internet backbone:** The Madang–Port Moresby microwave connection has 1 Gbps with a planned upgrade to 3 Gbps. However, it regularly experiences outages that often last for several weeks. An upgrade is needed to improve both reliability and capacity as PNG's future bandwidth needs are expected to approach 100 Gbps over the next 15 years.
- (3) **Connectivity to Island and Western provinces:** telecommunication availability and intermittency are issues in PNG's island and western provinces.

4. WATER

Basic water supply and sanitation are significant challenges for Papua New Guinea. Approximately 61 per cent of the population do not have access to safe water and 55 per cent do not have access to improved sanitation.

Papua New Guinea is therefore denied many of the benefits that increased access to water and sanitation can provide: improved health of people through reduction in diarrhea, malnutrition, and stunting; increased time and household income through safe and convenient water supply; greater productivity leading to economic development and higher rates of gross domestic product; and business and tourism development.

PNG's progress in improving the water and sanitation sector is held back by a number of impediments:

1. The overall framework for service delivery and implementation
2. Weak policy on water and sanitation;
3. Unclear institutional roles in the sector;
4. Lack of budget mechanisms for allocating and tracking expenditures to rural and urban water and sanitation;
5. Insufficient finance allocated to the sector;
6. Weak monitoring systems; and
7. a scarcity of qualified technicians and managers.

Sanitation coverage is also very low in Papua New Guinea, with significant implications for water supply and public health. PNG's coverage is less than one-third of East Asia and Pacific and world averages and is the lowest among the Pacific nations. All but three other Pacific nations have three times the level of coverage available to PNG citizens.

Over time, population growth has resulted in declining coverage in provision of water piped to the premises, falling nationally from 12 per cent to 9 per cent of the population between 1990 and 2012.

Within Papua New Guinea, there is a significant divide between urban and rural areas. While more than half the urban population receives water piped to the premises, the coverage

in rural areas (where more than 80 per cent of the population live) is 15–18 times lower.

Papua New Guinea faces a number of critical challenges in providing water infrastructure:

- (1) **Land tenure systems affect water charging regimes.** Uncertainty in land tenure in and around major population centres in Papua New Guinea is a major impediment to establishing an effective system of water rates for network-based storage, transmission, and distribution of water. This affects the ability of utilities to derive a cost-reflective stream of revenue from their assets.
- (2) **Water is perceived as free.** A strong, traditional perspective about water consumption in Papua New Guinea is that it is free of charge. Users do not perceive the value of infrastructure-based service delivery when they have access to natural water systems.
- (3) **Water is seen as a communal service.** Water services have been seen as a communal service based on access to a common (and free) natural resource, particularly in rural areas and settlements.
- (4) **Challenges in achieving scale economies.** Scale economies in water delivery can be difficult to achieve because infrastructure and services are frequently local, small-scale and standalone systems servicing a highly decentralised population. These are often gifted to local communities to operate and maintain.
- (5) **Lack of formal infrastructure charging regimes.** There is no formal infrastructure charging regime for urban and peri-urban areas regarding provision of greenfield infrastructure. The absence of a defined developer contribution scheme creates a lot of uncertainty around infrastructure provision and identification of attributable costs. There is also no implemented policy on network capacity augmentations or expansions.
- (6) **Asset maintenance is difficult.** Asset maintenance and management is challenging. Water utilities will install assets, but do not retain ownership or control and will not necessarily maintain them. Local communities rarely have the technical capability to maintain these assets on their own.
- (7) **Rate payers cross subsidise other users.** There are significant informal cross subsidies between different user groups, with some revenues from rate payers being used to provide water services to peri-urban areas including townships where there is little or no user charging.

(8) **Water provision and sanitation are costly.**

Based on government targets for 2030, Papua New Guinea needs to spend on average US\$31 million each year on water supply and US\$70 million per year on sanitation. A further US\$22 million per year is needed to finance the operation and maintenance of current and future infrastructure. Yet PNG's investment in the sector has averaged 0.3 per cent of GDP in recent years — just a third of the internationally recognised minimum allocation of 1 per cent.

The case for private sector investment

PNG's budget position makes it difficult to improve, expand or maintain infrastructure services and yet they are critical to economic growth and development.

Private sector investment, including FDIs, is required. The government is looking at revenue models that will attract and reward private sector participation and to sustain the private revenue streams.

Opportunities exist in the following:

1. **Transport** - improve planning and funding for maintenance of the national highway network and develop a national infrastructure strategy to strengthen PNG's freight and logistics systems.
2. **Electricity** - push forward on sustainable, rural electrification and commence planning for a more resilient national electricity grid and dissecting the generation and retailing sectors to contestability.
3. **Water** - complete implementation of a national water, sanitation, and hygiene project management unit and push for greater planning of water distribution and reticulation in PNG's emerging urban areas including delivery of a desalination plant to serve Port Moresby.
4. **Telecommunications** - land more international fibre optic cable to improve PNG's connectivity to international telecommunications and improve the national telecom backbone in order to build greater resilience.

Manufacturing



The law of diminishing marginal returns predicts that after some optimal level of capacity is reached, adding an additional factor of production will actually result in smaller increases in output often, but not always, ending in negative returns.

Now, if one were to add another industry to value add the output of the first industry, you should find that at the point of maximum returns of the first industry and the onset of diminishing returns, the new industry will increase returns on the same product all over again.

This should increase returns on the same primary produce twice over.

This happens when a manufacturing industry is promoted to value add primary produce.

That is the basis for the Government's move to promote secondary and services industries in Papua New Guinea.

Manufacturing is small in PNG contributing about three per cent of the GDP but it is an economically significant part of the economy with immense potential for growth.

Manufacturing is crucial for stimulating broad-based economic growth.

A broad based economy driven by the manufacturing and services sectors will help reduce volatility in the resources sector and reduce the heavy dependence on primary products.

The Government is inviting foreign direct investment in manufacturing by promoting special economic zones in the country.

These special economic zones will be subjected to regulations and rules of conduct which more conducive to business and commerce than exists in the rest of the country in order to attract FDIs. Some SEZ will be classified as free trade zones, some as special agricultural development areas, some as industrial parks, for tourism and entertainment and at least one as a maritime industrial zone.

The Government has established a SEZ Authority and has engaged technical expertise from Japan to set up the regulatory framework for SEZs. A summit was held in May 2023 in Port Moresby to engage with all stakeholders.

There have been moves to better protect manufacturing in PNG.

In 2017, PNG's Tariff Reduction Program was suspended and in accompanying legislation about 250 tariff lines were increased, and over 600 decreases were abandoned. Tariffs were increased on clothing, household and consumer items, and some processed food, such as ice cream. It has resulted in significant investment, including re-capitalisation of existing manufacturers and the establishment of new manufacturing plants in Port Moresby and Lae. Most tariff lines (three-quarters) in PNG are zero, however, with no tariffs applied on imports of most goods for which there is no domestic production.

There have been changes to subsidies that have affected

Banking and Finance

PNG's finance sector is small and limited but it is growing. The Asian Development Bank reported that the country's ratio of private sector credit to GDP averaged 22% from 2011–2017.

Compared with other countries in the region, PNG's economy is moderately monetized, with its ratio of broad money (M3) to GDP still below 50% as of 2017.

The International Monetary Fund (IMF) observed in 2015 that the size, composition, breadth, and diversity of PNG's financial services sector were still limited.

Commercial banks remain the dominant group in PNG's finance sector. The four commercial banks operating in PNG—two of which, Bank South Pacific (BSP) and Kina Bank, are locally based—accounted for almost 63% of the sector's total assets in 2017. The two foreign-owned banks licensed to operate in PNG are the ANZ Banking Group (as ANZ PNG) and Westpac Bank (as Westpac PNG). Among the four commercial banks, BSP accounts for half the banking system's assets, with ANZ PNG and Westpac PNG sharing the bulk of the remainder (ADB 2015). BSP dominates domestic and regional banking



Bank of Papua New Guinea, down town Port Moresby.

as the largest bank with the widest network of branches and the broadest customer base. The role of superannuation funds in PNG's financial landscape cannot be understated, as they remain the only institutions with long-term instruments. The four authorized superannuation funds (Nasfund, Nambawan Super, Defense Force Retirement Benefit Fund, and Aon Master Trust) make up the second largest group in PNG's finance sector, accounting for 26% of financial system assets in 2017. PNG law requires pension contributions to be made for all government and private sector employees in firms with more than 15 staff. That has since been lowered to 10. Continued economic growth and a young population make superannuation funds important for long-term savings in PNG.

These funds may also play an important role in the future development of capital markets and in the government bond market (ADB 2015).

Meanwhile, microfinance institutions provide an alternative source of financial services to the less privileged. With commercial banks focusing more on urban-based transactions, microfinance firms have a growing role in the rural economy. Even urban-based small enterprises that do not have access to formal financial services are being serviced by microfinance firms. These institutions are largely used for savings, since deposits greatly exceed loans, indicating the important role of the microfinance sector in providing liquidity to PNG's financial system (ADB 2015).

The ADB has noted in various reports that growth of PNG's finance sector remains limited due to the country's geography

and remoteness as well as its law and order issues and poor security restricting cash movements across most of the country.

The Bank of PNG is the regulator of the banking and finance industry and is empowered to issue currency, manage foreign exchange holdings of the Government and to conduct effective monetary policy.

The Bank of PNG supports and facilitates greater financial inclusion in the country through the development of enhanced payment systems.

To assist in the administration and exchange control, the Bank of PNG has approved the commercial banks and certain non-bank financial institutions operating in PNG as authorised dealers in foreign exchange.

With a recent imbalance in the foreign exchange market, regulation in this space continues to evolve.

The PNG Stock Exchange (PNGX) is the country's sole exchange and has been in operation since 1999. Listing rules are closely aligned with the Australian Stock Exchange (ASX). The integrity of PNG's capital markets is set to be strengthened under a recent package of sweeping law reforms to the country's securities legislation. The reforms are aimed to increase compliance and confidence in PNG's capital markets. The legislation will include the creation of a Securities Commission as a newly independent entity with broad powers to regulate and investigate exchange and listed entities' activities and impose levies on market participants. The result of the reform will be that capital market licensees will now be bound by a number of additional compliance requirements, including a ban on short selling. Further, a prospectus will be required for the issue of securities, an offer to subscribe, and applications for quotations on the stock market. The reform also introduces regulation around the introduction and operation of a unit trust or managed investment scheme that has more than 20 members. The scheme or unit trust must be approved and registered by the Securities Commission.

The Bank of PNG also regulates superannuation funds and life insurance companies. With the introduction of compulsory superannuation contributions from employers and citizen employees, authorised superannuation funds have grown to become significant players in PNG's financial sector. The funds, investment managers and administrators are all supervised through the Bank of PNG. While still relatively underdeveloped, the retirement savings, life insurance and wealth management sector is growing rapidly as the economy develops.

Challenges

The majority of the population of PNG has limited access to formal financial services. Around 63% of Papua New Guineans

do not have any form of banking or financial accounts.

Weak financial access and an underdeveloped finance sector is rooted in both economic-level and country-specific factors. Stringent regulations are potential barriers to a competitive banking industry and broader deposit base for PNG. Compliance with regulations related to customer registration and monitoring, for example, has led to increasing documentary requirements that have increased compliance costs, discouraged existing customers from opening new accounts, and deterred potential customers from accessing the formal financial system. Meanwhile, the low level of urbanization in PNG is a serious hurdle to financial access and information, making financial literacy programs all the more important.

The government has taken steps to reform PNG's finance sector and make it more inclusive. It has made the strengthening of bank governance a top priority. The government also increased worker participation in superannuation funds by lowering from 15 to 10 the number of people employed in order for an enterprise to be required to participate. The government also aims to promote and expand financial literacy, broaden insurance coverage, create a financial consumer protection system, provide financial services to informal and agricultural enterprises, enhance financial access for small and medium-sized enterprises, and promote the expansion of digital financial services.

- Sources: PWC reports, ADB reports, IMF



BSP Bank, Top Town Lae.

Regulatory Regime

Port Moresby Trade Office, Papua New Guinea, November, 2022

PNG has a liberal investment regime that is comparable with any across the world. It is transparent and compatible with international best practice conducive to attracting Foreign Direct Investment.

Within the country, the government is continuously undertaking reforms including in taxation, customs and excise, company registration, immigration, employment and other regulatory frameworks in consultation with all stake holders in order to create a business friendly regulatory environment.

Without the country PNG is a member of various global and regional organizations such WTO and APEC and is a signatory to many global, multi-lateral and bi-lateral treaties and agreements which bind it to certain protocols and rules for conducting free trade and liberalized commerce across The government has placed high priority on downstream processing of its extractive resources and on promoting the agricultural and tourism sectors to spur economic growth.





Aerial view of Fairfax harbour, down town Port Moresby

The record time in which the country's first LNG project developed by US energy giant ExxonMobil at the cost of US\$19 billion ahead of schedule has been hailed as a benchmark achievement given the logistics and geographical difficulties.

The one project has placed the United States ahead of PNG's traditional trading partner, Australia, in terms of value of foreign investment in the country.

That said, many of PNG's businesses are foreign owned, which has raised some concerns at political and local business levels that foreign investment does not allow for a fair operating environment for PNG entrepreneurs.

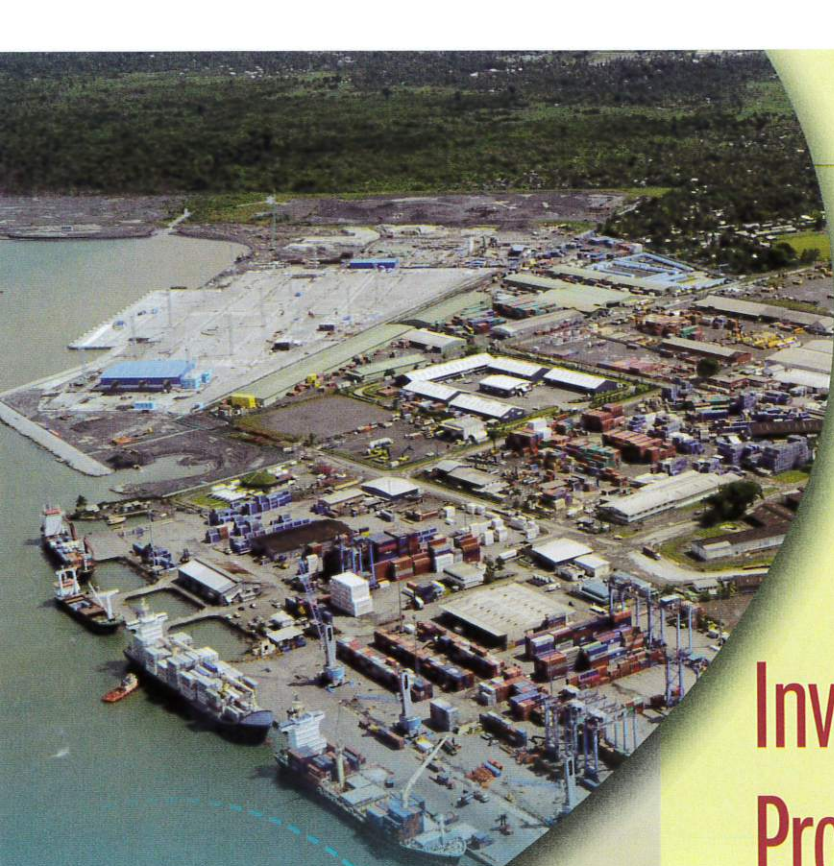
In 2013 and 2014, the PNG government took several steps to create additional opportunities for PNG business owners and to protect certain industries for exclusive entry by PNG

entrepreneurs. An SME policy and Master Plan was introduced aimed at developing the Small to Medium Enterprises sector. A number of cottage industries have been reserved exclusively for Papua New Guinean entrepreneurs to participate in. A list of the reserved activities is provided later in this section.

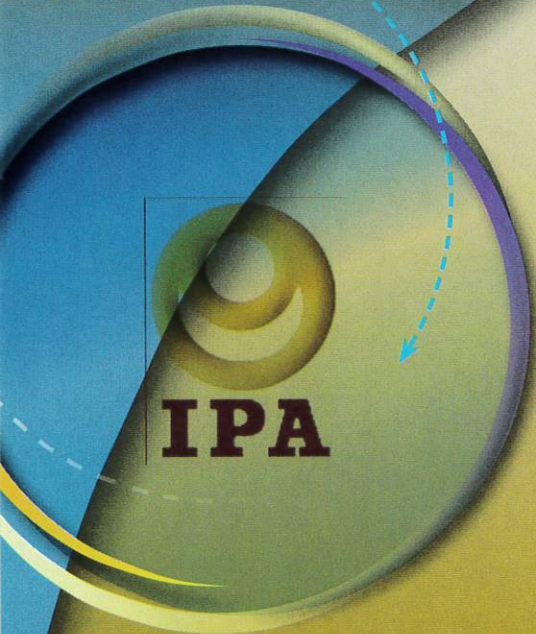
The government does impress upon all foreign investors to consider involving Papua New Guinean businesses in the supply of goods and services as a national content obligation and most operators do it out of convenience and cost considerations where the goods and services are available in-country.

We present in the ensuing pages the legal and regulatory frameworks and guidelines in place to assist foreign direct investment in Papua New Guinea.





Investment Promotion Authority (IPA)



Foreign investment requires government approval and the procedure is implemented through the Investment Promotion Authority (IPA).

IPA is established by an Act of Parliament to promote and facilitate investment in the country as a one-stop-shop gate keeper for legitimate, non-speculative foreign investment in the country.

The IPA facilitates investment proposals, identifies relevant government departments, and helps investors obtain the required approvals, licenses, and permits. While much of the assistance is provided free of charge, fees are applicable for company registrations, foreign enterprise certification, and registration of intellectual property.

In 2013 the IPA introduced an online registry system that has significantly speeded up the registration of companies.

While there are few limits on the types of investment to be undertaken by foreign investors, there are a few specific laws in place which investors must follow.

Foreign investors in resource-based ventures are required, for example, to follow the laws of the government departments specifically responsible for the resource. These relate to investment in mining and petroleum, agriculture, livestock, fisheries and forestry sectors.

There are other laws and regulations which will affect all investors. These include laws which cover areas such as foreign exchange, taxation and customs matters and environment and conservation.

Certain classes of businesses are classed as cottage industries and held by law for exclusive entry by Papua New Guinean businesses.

Investment & Export Promotion Division

It is the role of this division of the IPA to inform and educate the business community about investment opportunities in Papua New Guinea. Here queries from the public are answered and business introductions can be made through the databases of foreign and domestic investors. The division also assists investors with preparation of project documentation.

Research and Information Services

Foreign enterprises wishing to carry on business in PNG must lodge an application for certification with this division of IPA. It is an offence for a foreign enterprise to carry on business in Papua New Guinea without IPA approval. These procedures are routine and must be undertaken to comply with the requirements of the Investment Promotion Act. Foreign investors, for example, may not conduct business in activities which are reserved for Papua New Guinean citizens.

In Papua New Guinea, there are three categories of business enterprises under the Investment Promotion Act - citizen, national and foreign. A citizen enterprise is wholly owned by a citizen of Papua New Guinea, and includes the State.

A national enterprise is one which is more than 50 per cent owned by a citizen of Papua New Guinea.

A foreign enterprise is one which is 50 per cent or more owned or controlled by non-citizens.

Business Registration Division

This division is responsible for the administration of Papua New Guinea's key business laws with respect to the registration of companies, business names and business groups, the incorporation of associations and the registration of trademarks.

Business may be carried out in Papua New Guinea in a number of legal forms. These include sole traders, partnerships, private companies, public companies, branches of foreign companies, joint ventures, business groups and trusts.

Each type of business organisation is subject to particular regulations. Foreign investors usually establish a private or public company or a branch of a foreign company. Before commencing business in Papua New Guinea, it is necessary to incorporate a company or register as a branch of a foreign company under the Companies Act.

Company Registration

Foreign companies may obtain registration by making an application in the correct form. Investors are advised to seek independent professional advice about forming legal structures which will best suit their needs.

Investors should note that even though a foreign company registered in Papua New Guinea is incorporated in a foreign jurisdiction, it is still subject to the laws of Papua New Guinea as well as those of the jurisdiction of its own country.

A PNG-registered company has Papua New Guinea as its place of incorporation and is subject to the laws of Papua New Guinea.

A company incorporated in Papua New Guinea is required to have two directors, one of whom must be resident in the country. A foreign company registered in Papua New Guinea is required to appoint an agent who is a resident in the country.

All companies carrying on business in Papua New Guinea must register with the Registrar of Companies. It is an offence for a company to carry on business without registration with the Companies Office (within the Business Registration Division of the IPA).

The Trademarks Office exists to provide protection for property rights in respect of intellectual property held by persons both within and outside of Papua New Guinea who wish to carry on business in this country. Businesses are encouraged to register their trademarks in Papua New Guinea.

Certification

Applications for certification should be lodged with the IPA using the prescribed form and accompanied by the prescribed fee.

Investors are encouraged to contact the IPA to receive the most up to date information on certification procedures as reforms may result in procedural changes.

Currently, however, the application form must be accompanied by supporting documentation, including the following, where appropriate:

- Either the Certificate of Incorporation or the Certificate of Registration as a foreign company;
- Statement of criminal record for natural persons and natural persons who are shareholders in a company which is applying for certification;
- Evidence of any change of names, if appropriate;
- Certificate of Registration of a Business Name, if applicable;
- A copy of the register of shareholders and directors if the applicant is a company;
- A copy of the register of directors if the applicant is a corporate body;
- Latest annual statement and the balance sheet of the applicant, if applicable;
- A copy of any agreement if a joint venture is proposed; and,
- Other documents that may be requested by the IPA.

Investors may wish to expand or diversify their business activities. In such cases, the terms of their certificate may be varied by lodging an application for variation on the prescribed form.

Provided the foreign enterprise has properly completed its application, the IPA will respond within 35 days. Certification enables the foreign enterprise to carry on business in a particular activity at a specific location within the country set out in the certificate.

The Government of Papua New Guinea is currently reforming the rules and regulations in respect of certain functions of the IPA. Investors are advised to contact the IPA for the most up to date information on these aspects of the law. Most information and forms including applicable fees can be accessed at: <https://www.ipa.gov.pg>

Email: ipa@ipa.gov.pg

IPA location: First Floor,

IPA Haus, Munidubu Street,

Lawes Road, Konedobu.

Investment Policy

The PNG Government believes that the key to economic growth is the development of private sector investment both domestically and abroad. The Government is also aware that in order to attract investment, it must put in place a policy framework which will bring about the development, including its plans to enhance the manufacturing sector and boost export figures under an export-led Economic Recovery Programme.

• National Investment Policy

The National Investment Policy provides guidelines

No certification needed

A foreign enterprise need not seek certification if its only activities in PNG are:

- 1) Being a party to a legal proceeding or settling a legal proceeding or a claim or dispute.
- 2) Holding meetings of its directors or shareholders or carrying on other activities concerning its internal affairs.
- 3) Maintaining a bank account.
- 4) Effecting a sale of property through an independent contractor.
- 5) Soliciting or procuring an order that becomes a binding contract only if the order is accepted outside the country.
- 6) Creating evidence of a debt or creating a charge on property.
- 7) Securing or collecting any of its debts or enforces its rights in relation to securities relating to those debts.
- 8) Conducting an isolated transaction that is completed within a period of one month, not being one of a number of similar transactions repeated from time to time.
- 9) Investing its funds or holding property.

The IPA may grant certification subject to any terms and conditions it considers appropriate. However, provided a proposed investment does not fall within a list of investment activities restricted to citizens of PNG, certification is usually not conditional on maintaining a minimum level of local equity.

for the pursuit of economic development through the implementation of investment projects in the country, The Policy's Volume I & II were prepared in 1998 and 1999 respectively. It is currently undergoing a review towards formulating the National Investment Policy Volume III in consultation with all the stakeholders including the private sector. The Volume III will define the core policy objectives and strategies of the commerce sector and further boost economic growth through structural reforms that remove barriers to investment and support infrastructure development.

Regulations

Investment protection

Section 37 of the Investment Promotion Act guarantees that the property of a foreign investor shall not be nationalized or expropriated except in accordance with law, for a public purpose defined by law and in payment of compensation as defined by law. Furthermore, PNG is a member of the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID) whilst bilateral investment protection agreements have been entered into with several individual countries.

IPA Certificate

All foreign enterprises wishing to set up businesses in PNG must apply for a formal Investment Promotion Authority Certificate. A "foreign enterprise" is a business entity that is fully owned or that is 50 per cent or more owned or controlled or managed by non-citizens. The Certification enables the foreign enterprise to carry out business in a particular activity at a specific location within the country set out in the certificate. In case of an unincorporated JV, each foreign participant must seek certification.

Restrictions

Foreign enterprises should note that under Investment Promotion Act, there are certain activities which are reserved for PNG citizens only.

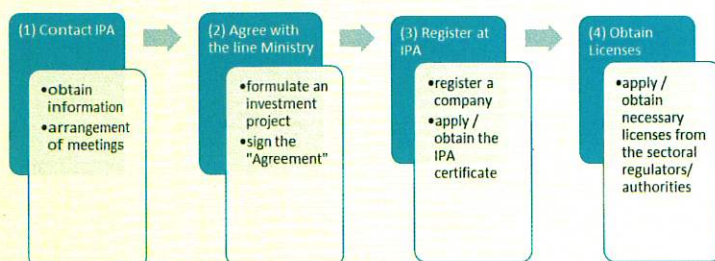
The list is currently being reviewed. Potential investors are urged to consult IPA to seek clarification on the activities reserved for PNG citizens and to avoid being penalised.

How to invest in PNG

The Investment Promotion Authority (IPA) has been designed as the first point of contact for a potential new investor in PNG. A foreign investor should approach the IPA during the early stages of considering investing in PNG.

Procedure

A brief of overall procedure



| Sector | Investment Opportunities |
|-----------------------|--|
| Agriculture | Coffee, Tea, Spices, Copra, Cocoa, Oil Palm, Rice, Copra Oil, Rubber, Vanilla, Tropical Fruits, & Livestock PNG mainly exports raw material. In the recent years, government has increasingly called for downstream processing of agricultural products in the country. Potential investors are advised to tap into this area and to take advantage of the investment incentives currently provided by the government. |
| Fisheries | High potentials in fishing, cultivation and/or processing of fish and shellfish including Tuna, Prawns, Lobsters and Crabs. PNG has the largest EEZ (3.2 million Square Kilometers) in the South Pacific and is responsible for approximately 10% of the world tuna catch. The Interim Economic Partnership Arrangement with EU has been ratified by the EU and PNG and offers "global sourcing". |
| Forestry | Huge opportunities in afforestation and wood production with 36 million hectares of enclosed forest of which 15 million hectares of high quality tropical hardwoods from tree species such as Homalium, Pometia, Calophyllum, Eucalyptus, Terminalia, Dillenia, Toona, Buchanania, Canarium, Anisoptera, Endospermum, Octomeles, Instia, Syzygium, Celtis, Burckella, Mastixiodendron, Canarium, Dracontomelon. |
| Services | "Technological Leapfrogging" is a new investment area. There are already signs of leapfrogging in technology-intensive sectors such as banking, finance, telecommunications, education and health. |
| Mining & Petroleum | With extensive reserves of Natural Gas, Oil, Copper, Gold, Nickel, Limestone to name a few, PNG offers significant exploration projects in mining, petroleum and gas, and investment opportunities for various downstream projects. |
| Industrial park | <ul style="list-style-type: none"> • The Ulaveo Industrial Area in East New Britain • The Malahang Industrial Area in Lae, Morobe Province • The Pacific Marine Industrial Zone (PMIZ) outside of Madang town for fishery sector (under construction) • The Konebada Petroleum Park, outside Port Moresby and located within the PNG LNG facility • The PNG Ports Lae Industrial Park |
| Tourism & Hospitality | PNG offers huge investment opportunities in this sector, whether it be business tourism, the hotel and accommodation industry, the diving industry, surfing, game fishing, bird watching, village guest houses and major cultural events, etc. The country boasts an array of unique tourism package including the rich cultural diversity, the natural and diverse flora and fauna, pristine beaches and the tropical diving waters, the historical sites including the remains of World War 2 war relics and the fascinating Vulcan and Tavurvur volcanoes which are still spewing the ashes among others. |

Register at IPA

i. Register a company (two options) at IPA

| | New company | Overseas company |
|--|--|---|
| Type of certificate | Certificate of incorporation | Certificate |
| Name | Liberty to propose company name without restrictions | Same name as it appears on the incorporation certificate provided |
| Required forms (the Companies Regulation 1998) | Forms 1, 2 3, 4 & 6 | Form 46 |
| Fees | K500.00 | K500.00 |

ii. Apply for certification of a foreign business at IPA

All foreign companies must also apply for certification within 14 days after receipt of their Certificate of Incorporation or Registration. The prescribed fee is K2,000. Applicants are required to attach supporting documents, which differs depending on the shareholders of the foreign companies, with the "Application for Certification Form3".

Supporting documents

| Individual | Corporate |
|---|--|
| <ul style="list-style-type: none"> CV / Personal Profile Police Clearance / Character Check Report Passport copy Visa Copy (if domiciled in PNG) Work permit copy (if employed in PNG) Bank reference / statement | <ul style="list-style-type: none"> Latest financial statement for the shareholding company, audited if possible Latest financial statement for the ultimate holding company Register of Shareholders and directors of the companies 'top ten if listed on a stock exchange) Copies of Certificate of Incorporation Other supporting documents such as brochures, annual reports, etc. |

- Copy of Certification of Incorporation or Registration
- Budget / cash flow forecast
- Comprehensive business plan
- Positions and nationalities of staff to be employed
- Value of initial capital investment, and
- Copies of agreement, such as Lease Agreements, Purchase agreements, etc. if any

iii. Issue of IPA certificate

IPA will process and approve the certificate within 35 working days upon the receipt of a complete and accurate application.

Most foreign investors will be familiar with the types of structures through which business is most often conducted in PNG. The key business structures in PNG are sole trader, partnership, joint venture, trust and company.

• Sole trader

A sole trader is an individual who carries on business on his/her own behalf. A sole trader may carry on business either under his/her own name or under an adopted business name. If a business name is adopted, this name must be registered under the Business Name Act.

• Partnership

A partnership exists where two or more entities agree to carry on business in common with a view to deriving profit jointly. Partnerships are generally limited to 20 partners although some professional partnerships are able to exceed this number. The rights of the partners are often regulated by the terms of a partnership agreement. However, matters not covered by the agreement may be regulated by the Partnership Act.

• Joint venture

A joint venture (JV) is a contractual arrangement between two or more entities to carry out a business undertaking in common, otherwise than as partners. A JV may be incorporated or unincorporated, and is usually entered to undertake a specific business activity. An unincorporated JV is often appropriate for mining, oil and gas projects, which generally involve high preproduction costs.

• Trust

A trust may be established by deed empowering a trustee to carry on business. The principal advantages of a trust structure are that trusts are relatively easy to form and subject to relatively few government controls on their formation and operation. However, provisions of the Trustees and Executors Act apply to trusts and certain trustee companies will also need to comply with the Trustee Companies Act.

• Company

While it is possible to conduct business in PNG through any of the structures discussed above, most foreign investors use a company as the vehicle for their investment. In general terms, the Company Act 2013 (Amended) regulates the incorporation and management of a company in PNG. A foreign company seeking to conduct business in PNG has the choice of either:

- Incorporating a subsidiary in PNG; or
- Registering itself as a foreign company.

Reserved Businesses

The Regulations of the Investment Promotion Act 1992 as amended contain a list of business activities which are restricted to citizens and or national enterprises. The list may be reviewed from time to time. Activities restricted to citizen enterprises only make up the Cottage Business Activities List (CBAL). The CBAL replaces what used to be called the Reserved Activities List. Foreign enterprises cannot conduct business in activities listed under CBAL.

Agriculture

- Cultivation and growing of vegetables and other market produce with annual sales of K50,000 or less.
- Farming of animals with annual sales of K50,000 or less.
- Poultry farming with annual sales of K50,000 or less.
- Hunting, trapping and game propagation including related services activities.

Forestry, Logging and Related Activities

- Gathering of wild growing forest materials including balata and other rubber-like gums; cork; lac, resins and balsams; rattan; vegetable hair and eel grass; acorns and horse-chest nuts; mosses, lichens and cut evergreen trees used for festive occasions; saps; bark; herbs; wild fruits; flowers and plants; leaves; needles; reeds; roots; or other wild growing materials.
- Wokabaut (mobile) sawmill.

Wildlife

- Hunting or collecting of non-protected fauna, including insects, shells, animal teeth, tusks, feathers, declared sedentary organisms and similar products and living or dead fauna.

Fishing

- Fishing on a commercial basis in coastal and inland waters. "Coastal" means within three miles off the shoreline.
- Taking of marine or freshwater crustaceans and molluscs. Hunting of aquatic animals such as turtles, sea squirts and other tunicates, sea urchins or other echinoderms and other aquatic invertebrates.
- Gathering of marine materials such as natural pearls, sponges, coral and algae.

Mining

- Alluvial Mining

Catering

- Mobile food delivery service.

Wholesale and Retail Trade

- Wholesale and retail sale of wild growing forest materials including balata and other rubber-like gums; cork; lac, resins; and balsams; rattan; vegetable hair and

eel grass; acorns and horse chestnuts; mosses, lichens and cut evergreen trees used for festive occasions; saps; barks; herbs; wild fruits; flowers and plants; leaves; needles; reeds; roots; or other wild growing materials.

- Retail sale through stalls, tucker shops and markets.
- Wholesale and retail sale of secondhand clothing and footwear.
- Retail sale carried out from a motor vehicle or motorcycle.
- Wholesale and retail sale of handicrafts and artifacts.
- Repair of footwear when not done in combination with manufacture or wholesale or retail of these goods.

Other cottage business activities

Weaving

- These activities include, but are not limited to, weaving of can products, textiles, baskets, nets, dishes, ropes, and bags that are saleable at home, street markets or retail outlets on a fee.

Bilum Making

- Making of string bags (bilums) from traditional bush ropes and cottons taking traditional and contemporary designs that are saleable at home, street market or retail outlet on a fee.

Knitting

- The activity includes knitting of textiles, wearing apparels, cloth, garment, designs, fabrics and decorations that are saleable at home, street market or retail outlet on a fee.

Art and Craft

- All sorts of handicrafts and artistic designs that are saleable at home, street market or retail outlet on a fee.

Carving

- Wood carvings and sculptures on a fee (contract) or assorted carvings that are saleable at home, street market or retail outlet on a fee.

Pottery Making

- All sorts of pottery products including clay pots, cups, mugs, dishes, plates, sculptures and other art forms that are saleable at home, street markets or retail outlet on a fee.

Painting

- All sorts of painting in any shape, type and form including portrait paintings, screen paintings, sand paintings, oil paintings saleable at home, street markets or retail outlet on a fee.

Screen Printing

- Screen printing of designs including emblems, logos, traditional and contemporary art forms, commemorations and special events on apparels including laplaps, shirts, T-shirts and other garments and textile materials, suited to the event, situation or purpose they relate that are saleable at home, street markets or retail outlet on a fee.

Sewing

- Sewing of garments, textile materials, wearing apparels, cloths and fabrics that are saleable at home, street market or retail outlet on a fee.

Jewelry Making

- Making of simple jewelry products including necklaces, earrings, rings, arm bands, primarily from sea shells, tusks and beads for sale at home, street markets or retail outlet on a fee.

Baking

- Baking of fresh bakery products including bread loaves, cakes, pies, cookies and scones saleable at home, street market or retail on a fee.

Coffee Pulping

- Coffee pulping using manual pulping machine with the beans saleable at buying points or at coffee depots.

Hunting of Crocodiles and processing of skins

- Hunting and processing of crocodile skins for sale at established market outlets.

Operation of Tyre Repair Service

- Operation of small Tyre Repair Shops, where not done as incidental to the core business of Maintenance and repairs.

For further information on the CBAL please contact:

The Director

Business Information & Facilitation Division (BIFD)
Investment Promotion Authority
Tel: (675) 321 7311/ 321 3900
Fax: (675) 320 2262
Email: bif@ipa.gov.pg
Website: www.ipa.gov.pg

Info

Provincial governments and urban authorities, may also require investors to follow certain laws and regulations. It is the responsibility of investors to be familiar with all the relevant laws and regulations.

Postal Address:

Investment Promotion Authority,
PO Box 5053, Boroko,
National Capital District,
Papua New Guinea.
Phone: (675) 308 4413, (675) 321 7311 or (675) 308 4444,
Fax: (675) 320 2237.

IPA operates five offices throughout PNG.

IPA Lae Office

Lae Regional Office,
Level 3, Vele Rumana Building,
4th Street, Lae.
P.O. Box 1070, LAE,
Morobe Province,
Papua New Guinea
Phone: (675) 479 2001,
Fax: (675) 479 2001
Email: ipa_lae@ipa.gov.pg

IPA Buka Office

P.O. Box Private Mail Bag, Buka,
Autonomous Region of Bougainville,
Papua New Guinea
Phone: (675) 973 9344,
Fax: (675) 973 9344
Email: ipa_buka@ipa.gov.pg

IPA Hagen Office

Highlands Regional Office,
1st floor, Hagen Plaza Building, Mt. Hagen
P. O Box 1834, Mt. Hagen,
Western Highlands Province,
Papua New Guinea
Phone: (675) 542 0399,
Fax: (675) 542 0599
Email: ipahagen@ipa.gov.pg

IPA Kokopo Office

Room 3, Marau Haus,
Malabur Street, Section 9, Lot 10
Kokopo, East New Britain
Papua New Guinea
Phone: (675) 982 9460
Fax: (675) 982 9460
Email: iparabaul@ipa.gov.pg

Taxation

PNG's Tax Regime

PNG boasts a mature and relatively well defined tax regime. The tax laws are administered by the Internal Revenue Commission (IRC) and customs law by PNG Customs Services Commission (CSC).

Taxation of companies

- **Tax year**
The fiscal year applied to the corporate income tax is a calendar year running from 1st January to 31st December unless companies have obtained approval from the IRC to adopt a substituted financial period.
- **Filing date**
28th February in the following year (except companies with a substituted financial period)
- **Corporate tax rates**

| | Resident companies | Non-resident companies |
|------------|--------------------|------------------------|
| General | 30% | 48% |
| Mining | 30% | 30% |
| Petroleum* | 30% | 30% |
| Gas | 30% | 30% |

- **Tax payment system**
 - * Provisional tax payment for non-resource companies
Tax is imposed based on the last return lodged and payable in three instalments on 30 April, 31 July and 31 October (tax adjustment may occur after the assessment is issued by the IRC).
 - * Advance tax payment only for mining/petroleum/gas companies
Tax is imposed on the estimated profit of current year and payable in three instalments on 30 April, 31 July and 31 October.

Disclaimer: The material in this section is supplied curtesy of the Internal Revenue Commission. It is intended only as a guide and as at time of publication this information was accurate. The IRC and its officers are not liable for any damage resulting from the reliance or use of this material other than as a guide. The publisher is likewise not to be held liable. Any specific queries should be addressed to the Policy & Advice of the Legal Services Divisions of the IRC.



Taxation of individual

- * Tax year: a calendar year
- * Filing date: 28th February of following year
- * Tax rates:

| Income (kina) | Residents | Non-residents |
|---------------|-----------|---------------|
| 0 - | 0% | 22% |
| 10,000 - | 22% | |
| 18,000 - | 30% | |
| 33,000 - | 35% | |
| 70,000 - | 40% | |
| 250,000 - | 42% | |

- * Salary and wage:
Salary or wages received by an employee have tax withheld on a fortnightly basis by the employer, and the tax is calculated on a progressive mode taking into account various factors such as number of family dependant on you. IRC provides "Salary or Wages Tax Calculator" on the website, which is available for download. Individual taxpayers who earn only salary or wage income are not required to lodge annual tax return.

Tax Clearances

Individuals leaving the country do not require tax clearance. However, amounts of money exceeding K50,000 per person, per year, can be remitted only after a tax clearance certificate has been obtained, certifying that no taxes are outstanding and all tax requirements to date have been met. In most cases, two weeks notice should be given. If money is being sent to a tax haven country, all amounts of money, irrespective of size, require tax clearance.

Business in Papua New Guinea may remit up to the foreign currency equivalent of K500,000 each calendar year for any purpose, subject to taxation clearance. Certain categories of transactions do not count towards the remittance allowance. These include, for example, payments which are trade related involving the physical movement of goods.

Withholding and other taxes

Taxes other than income taxes can be found below. Currently PNG has no capital gains, death (probate) or gift taxes.

| Withholding taxes | | Other taxes | |
|--------------------------------|-----|------------------------------------|-------------------------------------|
| Dividend | 15% | Goods and services tax (GST) | 10% |
| Interest | 15% | Business payments tax ² | 10% |
| Royalty - paid associates | 30% | Stamp duty ³ | 2-5% |
| Royalty - paid non-associates | 10% | Additional Profit Tax ⁴ | 30% when rate of return exceeds 15% |
| Foreign contractors' tax | 15% | Super-annuation Fund | 25% |
| Management fee withholding tax | 17% | Trusts ⁵ | 30% |

1. Business payments tax:

Tax deducted from business payments made to persons/organizations registered as Paying Authorities without holding the Certificate of Compliance.

2. Stamp duty:

It is payable on the transfer, agreement for sale, declaration of trust over, or grant of certain property. The amount of duty payable depends on the type of property and its value (a minimum amount is set for certain items other than the rate shown).

3. Additional Profit Tax:

Applies to all resource projects

4. Superannuation /trusts:

Income tax imposed to authorized superannuation funds or trusts.

Customs/excise tariff

| Tax | Rate | Conditions | Law |
|---------------|--------------|--|-----------------------------------|
| Import GST | 10% | GST is applicable to imported goods. | Goods and Service Tax Act |
| Import duties | 12.5% to 35% | 80% of goods are duty free. | Schedule No.1 Customs Tariff Act |
| Export duties | 5% | Applied to logs, gold, crocodile skin and sandal wood | Schedule No. 2 Customs Tariff Act |
| Import excise | 10 % to 120% | Tax on luxurious goods depending on the item | Excise Tariff Act |
| Local excise | fluctuate | Rates fluctuate bi-annually for Alcohol, Tabaco, cigarettes 6 toea per litre for petroleum | Customs Excise Act |

* Currently PNG has no capital gain, death (probate) or gift taxes.

Investment Incentives

Successive governments have introduced and maintained a significant range of measures designed to facilitate legitimate domestic and foreign investment. The summary of its scheme is introduced in the following sections. For detailed information, "A Guide to the Taxation Incentives for Business & Investment in PNG", is available on the IRC website (www.irc.gov.pg).

At the end of 2012, Prime Minister O'Neill announced a wide-ranging review of the resources tax regime. While promising no immediate changes or drastic or radical changes to existing laws, he signaled that his government wanted to achieve fair and equitable distribution of benefits to all stakeholders.



Tax incentive for all

Tax incentives that will be applicable to all investors are summarized below.

| Incentives | Conditions | Law |
|---|--|---|
| 150% deduction for R&D expenditure ¹ | Expenses incurred in accordance with an R&D plan approved by a committee chaired by IRC. | Section 95, Income Tax Act |
| 10-year tax holiday for rural development | New active business set up in specially designated under-developed areas that are not dependent on the exploitation of natural resources (resource companies are excluded from the exemption). | Section 45 I-M, Income Tax Act 6AA Income Tax Regulation |
| Accelerated depreciation | Using a diminishing value method, the percentage rate of depreciation can optionally be accelerated to 1.5 times. | Income Tax Act Income Tax Regulation |
| | An extra 20% for expenditures on new capital plants or articles acquired in the year of income. | |
| | 30% for expenditures on new non oil- fired plants (not powered by imported petroleum products or LNG). | |
| | An extra 20% for expenditure on existing plant for the purpose of fuel conservation. | |
| | Depreciation methods can be switched to maximize amounts depreciated. | |
| Allowable deduction for capital expenditure relating to solar heating | Expenditure incurred for the cost, including installation, of plant or equipment for the use in heating solar power. | Section 68A Income Tax Act |
| Tax deduction for gifts | Gift to accredited political parties (s.69), sporting bodies (s.69A) and prescribed charitable bodies (s.69E). | Sections 69, Section 69A and Section 69E Income Tax Act |

This incentive is not available to all but most of sectors prescribed in the Income Tax Regulations

Tax incentive for specific sectors

Tax incentives other than those applied to investors of all sectors are also available to investors in specific sectors. Additional tax incentives may be granted to resource projects, and it is advisable to obtain full length and most updated information from the IRC.

| Incentive | Sector | Conditions | Law |
|--|---|--|---|
| Wage subsidy for new manufactured products (Subsidy is phased out in 5 years by 40%, 30%, 20%, 15%, 10%) | Manufacturing | The product first has to be agreed to list as a "new manufacture product" by the Commissioner General. | Industrial Development (Wage Subsidy) Act 1984 |
| Exemption of income from sale of exports for 4 years (cease on 31 Dec.2014) | Manufacturing | Qualified goods prescribed under the Income Tax Regulation (Regulation 10A) | Section 45A-H Income Tax Act |
| 200% deduction for export market development expenditure | Manufacturing Tourism | The tax saving from the double deduction cannot exceed 75% of the actual costs incurred. | Section 72C Income Tax Act |
| Infrastructure tax credit Up to 1.5% of assessable income (up to only 0.75% for resource companies) | Resource companies Primary producers Large-scale hotels | The tax credit allowable cannot exceed tax payable in any one year. Expenditures on infrastructure projects approved by the Department of National Planning & Monitoring. | Section 219C Income Tax Act Income Tax Regulation 10F |
| 100% deduction for certain agricultural development expenses | Agriculture | Expenditure prescribed in the Income Tax Act in the year of income. | Section 97 Income Tax Act |
| Pass through tax deductions to shareholders | Agriculture | 100% deduction for agricultural development expenses and depreciation of agriculture plant and equipment. A declaration must be made to the Commissioner General. | Section 97A Income Tax Act |
| 150% deduction for agriculture extension services | Agriculture | Expenditure on extension services undertaken under a plan approved by a committee chaired by the Department of Agriculture & Livestock. | Section 97B Income Tax Act |
| Indefinite carry forward of losses | Primary producers Resource companies | Companies in general are subject to a 20 year limitation. | Section 101 Income Tax Act |
| 1.25% credit for "emergency repairs" of Highland Highways | Resource companies | Expenditure for emergency repairs to the Highlands Highway from Lae to Koroba and Togoba Junction to Wabag. May applied to all eligible tax payers. | Sec 219C (6) Income Tax Act (new subsection) |
| Income tax deduction on exploration expenditure | Resource companies | Period of 20 years pursuant to the issue of a Resource Development License. | Section 155A & S155C Tax Income Act |
| Interest withholding tax concession | Resource companies | Exemption to non-resident lenders. Section 35(2) | Income Tax Act |
| Exemption of income tax / salary & wage tax on certain travel benefits | Resource companies | Companies: one annual leave fare between employment place and place of origin/recruitment. Employees: domestic fares in PNG & international fares | Section 40AA Income Tax Act |
| 10. Stamp duties concession | Resource companies | Various concessions are available on transfer of mining information, of exploration licenses and of development licenses. | Stamp Duties Act, Schedule |
| Tax Credits in respect of Banks Community Service obligations | Banks | Expenditure on providing extended and new banking facilities or services in non-urban areas. | Section 219D Income Tax Act |
| Accelerated depreciation | Agriculture production Fishing Tourism | 100% for expenditure on new plans or articles either used directly for agricultural production or for fishing by residents engaged in commercial fishing. 100% for boats or ships and ancillary equipment used as dive boats by accredited scuba diving / snorkeling operators. | Section 73-78 Income Tax Act |
| | Manufacturing | 100% for expenditure on industrial plants used in manufacturing process with an effective life of more than 5 years. | Section 73-78 Income Tax Act |
| | Tourism | An extra 55% for new capital plants /articles acquired by hotel, other short stay accommodation facilities and restaurants. | Section 73-78 Income Tax Act |

Resource here implies to mining, petroleum and gas sectors.

Double Taxation Treaties

The PNG government has concluded nine bilateral tax treaties called "Double Tax Agreements (DTAs)". These generally allocate taxing rights over specific types of income derived by residents of the two respective treaty partner countries.

| | | Dividends % | Interest % | Royalties % |
|------------|--------------|----------------|---------------|----------------|
| Non-treaty | Resident | 17 (0, 10) | 15 (0) | 5 (0) |
| | Non-Resident | 17 (0, 10) | 15 (0) | 30 (10) |
| Treaty | Australia | 17 | 10 | 10 |
| | Canada | 17 | 10 | 10 |
| | China | 15 | 10 | 10 |
| | Fiji | 17 | 10 | 15 |
| | Germany | 15 | 10 | 10 |
| | Korea | 15 | 10 | 10 |
| | Malaysia | 15 | 15 | 10 |
| | Singapore | 15 | 10 | 10 |
| | UK | 17 | 10 | 10 |
| | New Zealand | 15 | 10 | 10 |
| | Indonesia | 15 | 10 | 10 |

The DTAs with two more countries, namely Indonesia and New Zealand, have been signed and are yet to be ratified.

Bilateral Investment Agreements

The Investment Promotion Act contains investment guarantees for certified foreign investors. Similar types of guarantees may be available to some investors under bilateral agreements for the promotion and protection of investment. PNG has signed and/or entered into such agreements with following countries.

| Partner country | Date of signature | Date of entry into force |
|-----------------|-------------------|--------------------------|
| Australia | 3 Sep. 1990 | 20 Oct. 1991 |
| China | 12 Apr. 1991 | 12 Feb. 1993 |
| Germany | 12 Nov. 1980 | 3 Nov. 1983 |
| Japan | 26 Apr. 2011 | 17 Jan. 2014 |
| Malaysia | 27 Oct. 1992 | - |
| UK | 14 May 1981 | 22 Dec. 1981 |

Foreign Exchange Control

In December 2004, foreign exchange controls were progressively liberalised in PNG to seek exemptions from the Bank of PNG (Central Bank) approval for a range of transactions. However the Bank of Papua New Guinea still has control over the following areas:

- * The opening of offshore foreign accounts (including offshore kina accounts);
- * Licensing of gold exporters;
- * Licensing of foreign exchange dealers; and
- * Removal from PNG of physical cash in excess of PGK20,000 or foreign currency equivalent.

GST Incentives

| | | | |
|--|-------------------------------|--|--|
| Zero Rating of Exports Exported goods are not subject to Goods & Services Tax (GST). Exporters receive a full refund of GST paid on all inputs to production of exported goods or services. | Exports | | Section 19 of Goods & Services Tax Act |
| Zero Rating of Goods Supplied to Resource Companies. Goods or services, other than cars, supplied to a resource company for use in resource operations are zero-rated for GST. | Petroleum, Oil & Gas & Mining | Applies to registered holders of mining, petroleum or gas tenements and that the Goods must use for the resource operations. | Section 7 (f) & 21(1)(d) of Goods & Services Tax Act |
| Other Zero Rated Goods | Selected | | Section 21(1) and Division 6 of Goods & Services Tax Act |



Taxation incentives for petroleum, oil and gas and mining operations

There is a standard corporate income tax rate for all resource projects as follows:

| Type of project | Rate of tax |
|----------------------|-------------|
| Petroleum Operations | 30% |
| Gas Operations | 30% |
| Mining Operations | 30% |

Royalty and Development Levy (both calculated at 2% of well value of petroleum) is also payable by petroleum and gas companies.

The total of royalty and development levy paid by a petroleum or designated gas project in a year of income shall be an allowable deduction in respect of that year of income.

Any tax credit from the payment of royalty and development levies prior to 1 January 2018 may be carried to the next succeeding year of income until fully utilized.

Carry forward of losses

Taxpayers involved in mining petroleum and gas operations can carry forward tax losses indefinitely. Other companies are subject to a 20 year limitation.

Pooling of exploration expenditure

Mining, Petroleum & Gas Companies can elect at the end of each year of income to bring in exploration expenditure incurred outside of the project operation during that same year of income and claim this expenditure as a deduction against the project income. Amount allowed as a tax deduction should not exceed the lesser of 25% of the un-deducted pool balance or such amount that would reduce income tax payable by 10%. Election must be made at the end of the year of income in which the expenditure was incurred.

Fiscal Stability Provisions

The fiscal stability provision allows the State to enter with the resource companies in an agreement which guarantees the fiscal stability of the project in respect of duplicable taxes, duties, fees and other fiscal imposts and the rates at which such taxes, duties, fees and other fiscal imposts will be charged and the manner in which liability in respect thereof will be calculated in the event of a change in the applicable law after the effective date of the agreement.



Fiscal Stability Provisions for gas, mining & petroleum

The fiscal stability provision allows the State to enter with the resource companies in an agreement which guarantees the fiscal stability of the project in respect of duplicable taxes, duties, fees and other fiscal imposts and the rates at which such taxes, duties, fees and other fiscal imposts will be charged and the manner in which liability in respect thereof will be calculated in the event of a change in the applicable law after the effective date of the agreement.

Mining and petroleum companies have the option of applying for fiscal stability for the original financing period or twenty years whichever is the lesser. Gas companies can apply for a period of time necessary to produce a volume or quantity of resource as defined in the relevant gas agreement to be a foundation volume or quantity for that long-term gas project. Where such a provision applies, a 2 percent premium applies to the income profit tax rates.

Exemption from Income Tax/Salaries and Wages Tax of Certain Travel Benefits

In addition to the exemption of one annual leave fare from places of employment to the place of origin or recruitment, employees of resource companies are entitled to:

- 1)- Exemption on their domestic fares within Papua New Guinea and,
- 2)-Additional Exemption on their international fares.

Stamp Duties Concession for Intra-Company Transfers

Additional exemption on international fares is granted if the hardship and remoteness of the employment location from urban centres can be demonstrated.

Stamp Duty Concession on Transfer of Mining Information

The stamp duty on the transfer of mining information for both exploration and development licenses has been limited to K10,000.00 this was designed to encourage mining, petroleum and gas exploration.

Stamp Duties Concession on Transfer of Exploration Licenses

If an exploration license is transferred for the historical cost of obtaining the mining information, total stamp duties to be paid will be:

- 1) A K10,000.00 incentive rate for the mining information transfer.
- 2) An incentive rate of K10,000 for the transfer of the license.

Or a total of K20,000.00.

If an exploration license is transferred for more than the historical cost of obtaining the mining information, total stamp duties to be paid will be:

- 1) A K10,000.00 incentive rate for the mining information transfer.
- 2) An incentive charge of 2 percent applied on the excess between the price charged and the historical cost (instead of 5 percent previously).

Stamp Duties Concession on Transfer of Development Licenses

If a development license is transferred, total stamp duties to be paid will be:

- (1)- A K 10, 000.00 incentive rate for the mining information transfer.
- (2)- An incentive rate of 2 percent of license value instead of the 5 percent usually charged on transfers of real property valued at over K 140,000.00.

Stamp Duties Concession for Intra-Company Transfers

Transfers resulting from company reorganization or what is known as "intra-group" transfers attract a concessional stamp duty that is limited to K600.00 per transaction up to a maximum of K12,500.00

- The parent company must own at least 95% of the subsidiary for at least three years prior to the date of the application for exemption.
- At least 20% of the issued capital or voting rights of the ultimate parent company has to have held a minimum of 20% of the issued capital or voting rights for at least three years prior to the date of the application for exemption.
- The conveyance must not have the purpose or effect of avoiding or delaying the payment of any tax under the Income Tax Act 1959.
- The companies must operate as an intra- group operation for a period of 5 years, otherwise the full stamp duty and penalties will apply.





Customs & Excise

The PNG Customs Services is mandated to regulate all customs and tariff related matters within Papua New Guinea.

PNG's laws for Customs Valuation is called the Customs (Ad Valorem Duties) Regulations 1987.

This legislation is based on the WTO instruments:

- Article VII of the General Agreement on Tariffs and Trade (GATT) 1994
- The Agreement on the Implementation of Article VII of the GATT 1994
- The Uruguay Round Ministerial Decision Regarding Cases where Customs Administrations have Reason to Doubt the Truth or Accuracy of the Declared Value.

PNG acceded to the World Trade Organisation in 1996 and moved to liberalize its trade to conform to WTO standards, removing all non-tariff barriers to trade including quotas, bans, and license requirements.

The government put a value-added tax (VAT) into effect in 1998 and intends to reduce all non-protective tariffs to zero using the VAT. In the 2018 budget, however, due to rising concern from local manufacturers about stiff competition coming from imported goods, tariff was increased on a number of items while a review is being conducted.

Customs procedures is quite technical and the export and import tariff schedules are lengthy. While we present salient feature of the PNG Customs Service here, for details it is advisable to visit the PNG Customs Service Website at: <http://customs.gov.pg>

Customs Tariff Act

The Customs Tariff Act 1990 has two (2) Schedules:

- (1) Schedule No: 1 - Import Tariff
- (2) Schedule No: 2 - Export Tariff

Import Tariff - Schedule No: 1

All goods imported into Papua New Guinea must be classified using this schedule. Further details are in the tariff classification.

Import Clearance

When a shipment of goods is imported into Papua New Guinea whether it is by sea, air or land, the owner of those goods must declare them to Customs.

The owner or his agent (known as a Customs Agent or Customs Broker) is required to prepare and lodge with Customs an import declaration (known as an entry) describing the nature, quantity, value, supplier and country of origin of the goods imported or to be imported. This entry, containing the name, address and Tax File Number of the owner, is a legal document and any errors may attract the imposition of administrative penalties.

Deliberately making a false declaration to Customs may cause the goods to be seized and the owner or agent prosecuted.

The owner of imported goods should be aware that the import of some goods is restricted in that they may only be imported under the authority of a permit or license without which the goods are prohibited. The import of some other goods is prohibited absolutely.

Restrictions and prohibitions generally apply to goods such as dangerous weapons including firearms, illicit drugs, pornographic materials and copyright infringing goods. For further information please contact any Customs office (refer to prohibited imports at end of section).

Customs is currently modernizing its business processes and migrating to the electronic reporting system called Asycuda World, which provides Electronic Data Interchange (EDI) clearance process. This system is replacing the need to physically lodge paper-based reports and supporting documents for each shipment although at present only Port Moresby is fully electronic.

Other ports are slowly being upgraded to accept the system in a graduated roll out across the country. When fully functional up to 80% of entries will be cleared without Customs intervention at the time of import, the remaining 20% either being subject to documentary or physical checks at the time of import to ensure compliance with the Customs Act.

In addition to targeted cargo inspections, Post Clearance Audit (PCA) teams will conduct audits at importers premises at any time within 5 years after the goods have been imported as part of a strategy to ensure importers are honest with Customs. Customs' compliance strategy commences with education of importers and customs agents and progresses through administrative penalties to seizure and prosecution action.

Customs aim is to achieve voluntary compliance within the

importing industry, which in turn will be reflected in a lesser need for Customs intervention at the time of import.

The owner of the goods and anyone who causes the goods to be imported must retain all relevant records in relation to those goods for a period of 5 years from the date of import. If the owner or other person is selected for an audit these records will be examined to ensure compliance with the Customs Act. Failure to retain these records carries severe penalties including a term of imprisonment.

Export Tariff - Schedule No: 2

All export duties in respect of goods entered for export out of Papua New Guinea are charged, paid and collected in accordance with Section 5 of the Customs Tariff Act, as specified in column 3 of Schedule 2 and is subject to variation on export price change. Where no item appears in Schedule 2 the "rate of export shall be free".

Export values on all exported goods or commodities are "free on board" ship or aircraft, the total prices paid or payable or transaction value by a buyer who intends to take delivery of exported goods to an importing country.

Most of the goods exported from Papua New Guinea are "free" from export duty. Notable exceptions are the following commodities:

1. Crocodile skins
2. Log exports and,
3. Sandal wood

Exporters should note that other commodities require Export Permits before they can be lawfully exported. This especially applies to goods of fish product, alluvial gold and concentrates, log and precious metal and articles of precious metal.

Export Permits

Export Permits are issued by the Government agency responsible (for instance the Fisheries Authority, Forestry Authority, etc) and should be presented to Customs on demand. Attempts to export these commodities without a valid Export Permit may cause the goods to be seized and the exporter prosecuted.



PROHIBITED / restricted IMPORTS

Radio Transmitters including "Walkie Talkies" and Telephones

Some radio transmitting equipment and telephones offered for sale overseas, while not a prohibited import is restricted and may not comply with Papua New Guinea Post and Telecommunications licensing conditions.

If you are intending to import any such equipment it is advisable to first check with the Controller, Spectrum Radio Licensing Branch, Port Moresby.

Examples of Agricultural Items

All kinds of food, both fresh, smoked, canned bottled or manufactured.

Examples of Plants:

Plants (live/dry) bulbs, flowers, straws, all wooden articles, bamboo, cereals, noodles, sea weeds, cuttings etc.

Examples of Animals:

Animal products include semen, meat, salami, sausages, ham, poultry, butter, cheese, feathers, hair, skins, eggs, baby food.

Biological specimens, vaccines, cultures, blood etc.

Equipment used with all the animals or other agricultural purposes.

Department of Agriculture and Livestock
Quarantine Section
P O Box 2141
Boroko NCD
Papua New Guinea



1. Transaction Value of Identical Goods
2. Transaction Value of Similar Goods
3. Deductive Value Method
4. Computed Value Method
5. Fallback Method

Important Valuation Issues

There are certain provisos that are taken into consideration when determining Customs Value and when adjusting that Customs Value.

Customs must be satisfied with the truth and accuracy of declared values, compliance with valuation conditions and availability of objective and quantifiable data/evidence of the sale transaction. The following conditions must be satisfied:

- The Customs Value in PNG is at CIF (terms of delivery/ incoterms) level. This means that the Customs Value is the value of the goods plus the cost of overseas freight plus cost of insurance for transport of the goods to PNG.
- There should be evidence of a sale for export to PNG. Evidence include such things as commercial invoice, sales contract, purchase order, bank payment documents.
- The sale is not subject to any conditions or restrictions that has effected the value/price of the goods.
- If there exists a relationship between the buyer and the seller, that relationship has not influenced the value/price of the goods, and the importer is able to demonstrate that.

Other Valuation Factors that are taken into account when adjusting a Customs Value are:

Dutiable Factors

- Commissions and brokerage, except buying commission
- Royalties and license fees
- Proceeds of subsequent sale that accrues to the seller
- Advance payments, deposits not reflected on invoice



Transaction Value Method

The Transaction Value is the price paid or payable for the goods when sold for export to the country of importation. And needs to be adjusted according to certain factors contained in National legislation.

Other Methods

If the Customs Value is not ascertained under the Transaction Value Method, the Valuation Agreement provides provisions to determine a Customs Value using (5) other methods, that still has the Transaction value as the basis, in sequential order until a value is reached.

Non-dutiable Factors

- Discounts
- Buying Commission
- These charges provided they are separately shown on the invoice
 - interest charges
 - post-importation charges
 - duties and taxes payable in importing country

The dutiable factors are inclusions, and the non-dutiable factors are exclusions in the determination of a Customs Value.

These factors must be clearly shown and adequately described on the invoice, established prior to importation and are directly related to the goods being valued before they can be allowed in the determination of Customs Value.

Classifications

As a general rule, customs agents, who are trained in classification and valuation procedures, should be able to properly classify your goods.

Where classification is in doubt persons are advised to contact the tariff officer located in the regional offices in Port Moresby, Lae or Rabaul. If the matter is more complex then it will be referred to the Headquarters Branch in Port Moresby for determination.

While advice on classification may be obtained from any regional office only the headquarters office can issue a ruling.

The difference between advice and a ruling is that advice is of a general nature and is given to customs agents, clients and industry so that they are able to make a decision for which they are accountable. Hence, advice is provided without prejudice.

A ruling is an instruction on a classification issue that must be adhered to. Customs is accountable for any error made in the ruling. A ruling may be challenged in Court, but if it is not, then it carries the full weight of law and persons who disregard the ruling may be liable to additional duty, administrative penalties, and seizure of their goods or prosecution.

Once a ruling is made it remains in force until it is superseded. Amendments or changes to the Harmonized System (HS) or Tariff Nomenclature may result in Customs issuing a ruling without a request from industry. This ruling applies in the same way as if a particular importer or customs agent had requested it.

Exempted Goods

Exempted goods are goods imported into Papua New Guinea and which, because of various Acts or decisions of Parliament, are not subject to Customs Duty. The owner must still report the import of such goods to Customs in the same way every other person is required to report imports, but where the goods would normally have attracted duty, Customs instead applies a zero rate.

The power to exempt goods from duty lies with the Head of State who applies his powers, acting on advice, as stated in legislation such as the Diplomatic and Consular Privileges and Immunities Act, the Aid Status (Privileges and Immunities) Act

and the Customs Tariff Act 1990.

Goods imported under any of these exemption laws are relieved from taxes and duties, irrespective of their normal classification or normal liability, provided that they are imported in specified circumstances and for specific purpose.

Other Exemptions under the Tariff Act

The Head of State has also reduced the tariff rates of duty in respect of specified goods originating from certain countries in the Pacific region and on other goods the importation of which assists local industry. For further details of these exempted goods importers are asked to contact the Tariff and Trade Branch of Customs.

Bi-lateral Treaties and Agreements

Papua New Guinea has Bilateral Trade Agreement/ Multilateral Agreements with countries and international organisations. Clauses or Articles included in the content of these agreements as per the provisions of section 8 of the Loans and Assistance Act provide for an exemption to pay Customs duties and other Tax under certain conditions. Such agreements usually impose an end use obligation where exempt duties or taxes become liable if those conditions are not met certain conditions are met.

Processing Your Exemption

Unless special arrangements have been made with PNG Customs, importers must apply in writing to the Tariff and Trade section for granting of the exemption for each consignment. Customs will make sure the goods being imported are in line with the terms and conditions of the exemption.

In addition, it is very important that the applicant must provide together with the letter to Customs all the import documents relative to each import. The import documents include the following;

1. Airway Bill or Bill of Lading
2. Commercial Invoice
3. Packing List
4. Purchase Order
5. Credit Note
6. Telegraphic Transfer
7. Manifest/Consignment Note
8. Any e-mail/correspondences

Applications should be submitted to Customs marked for the attention of the Director- Tariff and Trade Branch. Customs will confirm receipt of your application and will process it as quickly as possible, this may take longer if Customs asks for further documentation in respect of the application.

If your application is successful you will be advised in writing and this advice must be produced with supporting documentation when your Customs agent lodges your import entry formally reporting the goods to Customs at the port of discharge.



Normal clearance formalities still apply to exempt goods and Customs or Quarantine may still inspect the goods. Goods are of a type that can only be imported under a permit or licence will only be released on its production to Customs even if the goods are exempt goods. The importer is responsible for ensuring the importation of the goods meets the requirements of Customs.

Although the goods may be exempt Customs duty and other taxes, any charges levied by Quarantine or handling charges levied by the wharf or transport company are the responsibility of the importer and must be paid. This applies to any fees levied by the customs agent in clearing the goods through Customs formalities.

Granting of exemption from duties is not discretionary

The Papua New Guinea Customs Service wishes to advise all that the PNG Customs Service does not have discretion or power to exempt imports from any duties or taxes payable upon importation.

Exemptions can only be granted to any importers where a legal instrument exists or is in place that makes the exemption lawfully possible. Otherwise duties applicable will be imposed.

Other requirements

Charity organizations, Churches, Health, Educational and Research institutions are only granted exemption on a specific category of goods, provided these institutions are certified by the relevant authorities, such as the Internal Revenue Commission and the Health Department.

For Educational Institutions, the consignment of goods will also need to be certified by the Curriculum Unit of the Department of Education.

Response from PNG Customs Service

It will assist both parties if requests or applications for exemptions are lodged 15 working days prior to the arrival of the consignment. Customs will furnish a reply/ acknowledgement within five (5) working days of receipt of request in compliance with the PNG Customs Service Charter.

For any further information relating to Exemptions, contact the Regional Tariff Officers at the Ports of Lae on 472 4899, Port Moresby on 3127519 and Kokopo on 983 9201.

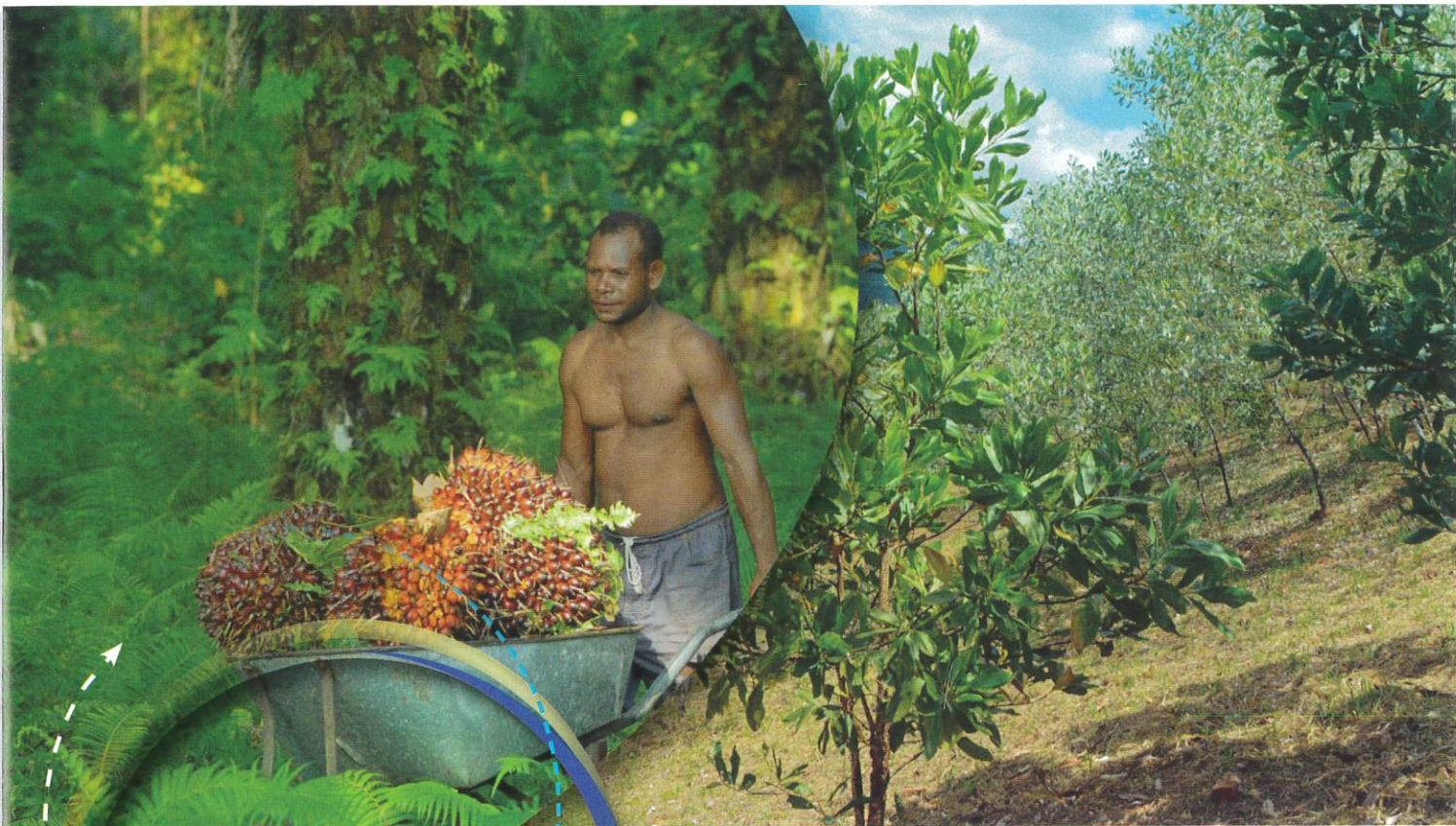
You can also contact the Tariff & Trade Section at the PNG Customs Service Headquarter in Port Moresby on:

Phone: 312 7582, 312 7511 or 312 7668

Fax: 323 1882

Email: tariffntrade@customs.gov.pg





Land

Development, whether for private or public purposes, requires land.

In PNG land is a commodity that is most difficult to acquire or mobilize principally because 97 per cent of it is under customary control and only three per cent has been alienated.

Adding to this difficulty is the customary notion and practice that land is communally held and not individually.

Both of this make it very difficult to mobilize land for commercial and development purposes.

All of these issues fall under the ambit of the Land Act 1996 which deals with land use, grant of licences, disposal and acquisition of customary land and compensation payments where applicable.

By and large the Department of Lands and Physical Planning, which regulates the Act, is seen to be responsible for utilization of alienated land and a broker or middleman where customary land is concerned.

Where land is state controlled, a Torres-style system of land registration is employed and a land title confers full, indefeasible and valid ownership.

Any dealing involving land being granted and transferred to a foreigner or corporate entity requires approval from the Minister for Lands and Physical Planning prior to registration.

The Land Registration Act 1981 sets out the process and provides forms required for the registration of any dealings of land.

Dealings of the nature mentioned include transfer, lease, surrender, mortgage, charge, discharge, easement and nomination of trustees.

Type of Land

- **Customary land**

Approximately 97% of land in PNG is held by its traditional owners under customary principles of land ownership. The specific elements and rules of the system of customary land tenure vary from place to place. However, customary land ownership generally recognises the traditional users of land and their personal and clan arrangements for land use. A foreign investor cannot purchase or lease customary land directly from its traditional owners. If a foreign investor requires access to customary land, it is the government that has to acquire the land from its traditional owners and then lease it to the foreign investor.

- **Alienated land**

The balance of the land (3 %) in PNG is known as alienated land. Alienated land is land that has been acquired from customary owners by the government either for its own use or for private development. However, some alienated land is held as freehold other than by the government. Most enterprises in which foreign investors are involved are located on alienated land. Alienated land in PNG can be held either as freehold or leasehold from the state. However, freehold land makes up a small proportion of alienated land in PNG.

- **Freehold land**

Under the Constitution, a non-citizen is precluded from owning freehold land in PNG. Certain types of freehold land can be converted to leasehold land so that it may be used and owned by a non-citizen.

- **Leasehold land**

Leasehold land may be more freely dealt with than freehold land. Leasehold land is land which the government has acquired from its customary owners and leased to a person or company for a term of up to 99 years for a specific purpose. The Land Act provides for:

- * Agricultural leases;
- * Pastoral leases;
- * Business and residence leases;
- * Mission leases;
- * Leases of government owned buildings;
- * Special purpose agricultural and business leases; and
- * Urban development leases.

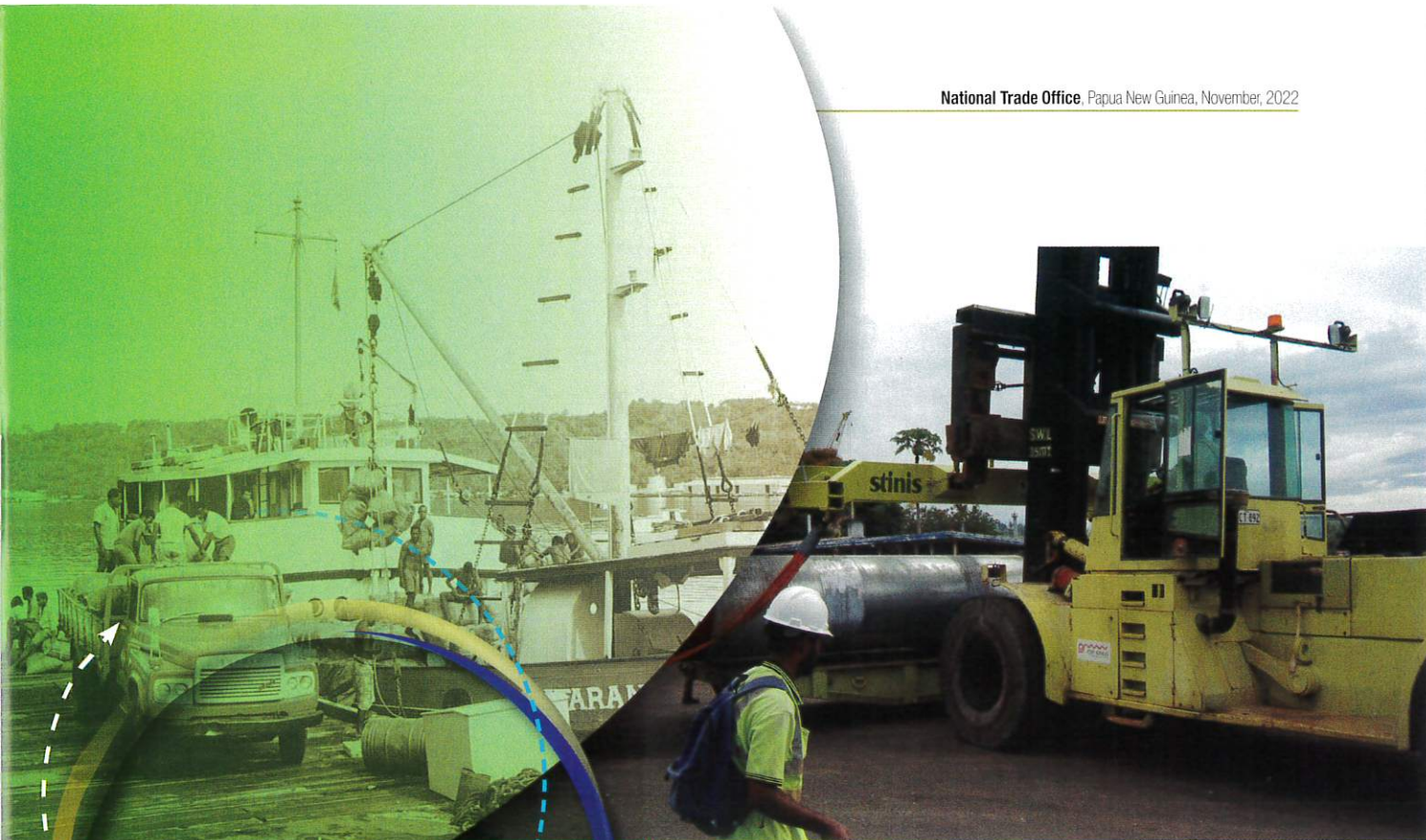
Land Board and Land Titles Commission

The Land Act establishes a Land Board which deals with applications for leases of state land, and the Land Titles Commission administers the Land (Tenure Conversion) Act. The key functions of the Land Titles Commission include:

- * Authorising registration of customary land;
- * Determining whether land is alienated land; and
- * Ascertaining who the customary owners of land are.

The last of these functions can be critical for a foreign investor whose development proposal involves business activities on land that a variety of clans claim to own or to have the right to use. In recent years the importance of landowner issues has been highlighted at a number of resource projects, public highways, educational facilities and other business operations in different parts of the country. These incidents have reinforced the need for a developer to establish and maintain a sound relationship with landowners in the vicinity of any proposed project.





Employment

With the boom in development of major projects in the country, there is currently a shortage in skilled technical work force and as a result there is a trend where developers either source skilled technical expatriates from overseas or out source their services as small contracts to specialized contractors. The Government has put in place various strategies to tackle this issue. This includes prioritizing education as a key development policy. It had introduced free education policy, the TVET Program, and development and expansion of various tertiary institutions in the country.

Recruitment

Whilst most companies recruit their workers through their own Human Resource Divisions, major developers/investor companies in the country are outsourcing this service to established HR recruitment agencies in the country. Over the years, more globally recognized HR agencies have established their operations in the country and landowner companies from the resources areas have also started various recruitment organizations taking advantage of the opportunities created by major developers outsourcing this service.

Work permit

All non-citizens who seek employment in PNG must possess a valid work permit before they commence employment. The work permit must be granted by the Secretary for Department of Labour & Industrial Relations (DLIR), in accordance with the Employment of Non-Citizens Act 2007. Short-term work permits are valid for up to six months and are non-renewable. Long-term work permits can last for up to three years, or five if employer is designated a Good Corporate Citizen under the Act. Non-citizens who work in PNG without a valid work permit commit an offence and can be prosecuted.



Type of work permit

- **General:**
A General Work Permit will be granted where the employment contract between the employer and employee is for work of a commercial nature. The law defines commercial work as employment performed entirely or mostly for financial (i.e. money) reward.
- **Volunteer:**
A Volunteer Work Permit will be granted where the employment contract between the employer and employee is for a work of a voluntary nature. The law defines voluntary work as employment performed entirely or mostly for reasons other than financial rewards. A decision as to whether an employee qualifies for a Volunteer Work Permit requires careful consideration of factors such as; (1) Salary, (2) allowances, (3) nature of the activities engaged in and (4) the history of organization in PNG.

- **Bridging:**

A Bridging Work Permit may only be granted in those instance where a non-citizen (1) has a valid work permit, (2) has applied for a new work permit in a different occupation or with a different employer (i.e. not a renewal) (3) the new work permit has been granted and (4) the current work permit is due to expire. Non-citizens who find themselves in this situation must immediately apply for this Permit; otherwise they will have to leave PNG while their work permit application is processed. A bridging Work Permit is granted for 60 days only.

| Category | Fees |
|----------------------------------|---------------------------------------|
| General Work Permits | K1000.00 for each year of work permit |
| Volunteer Work Permit | K100.00 for each year of work permit |
| Bridging Work Permit | K100.00 |
| General Short Term Work Permit | K500.00 |
| Volunteer Short Term Work Permit | K50.00 |
| Renewal of General Work Permit | K1000.00 for each year of work permit |
| Renewal of Volunteer Work Permit | K100.00 for each year of work permit |

Qualifications

- **Classification of Occupations**
Employers applying for a work permit must be familiar with the list of Open, Advertised and Reserved Occupations. The list can be downloaded from the Department of Labour & Industrial Relations website: <http://www.dlir.gov.pg>. Some occupations are reserved for PNG citizens only. As a general rule, non-citizen employees should possess a degree or other tertiary qualification relevant to their field of employment with appropriate work experience (at least 3-5 years).
- **Language:**
The section 17(1) of the Employment of Non-Citizens Act 2007 requires all non-citizens to prove that they are proficient in English, Pisin or Motu. An example of English proficiency is to have an International English Language Testing System (IELTS) with score at least Band 4.
- **Age requirements:**
No work permit will be granted to a non-citizen under the age of 22. There is no upper age limit to the granting of a work permit. However, a non-citizen who is above the age of 65 years may have to provide medical clearance.
- **Professional registration:**
It is necessary for certain non-citizen employees in PNG to register with a Professional Body before taking up employment. For example, registration is required by the following Professional Bodies; (1) Institute of Engineers

PNG Inc, (2) Certified Practicing Accountants of PNG, (3) Nursing Council of PNG, (4) Maritime Safety Authority of PNG, (5) Pharmacy Board of PNG, (6) Law Society of PNG, (7) Medical Board of PNG, (8) PNG Association of Surveyors, (9) PNG Institute of Architects and (10) Civil Aviation Authority. It is a requirement of section 16 of the Act that all applicants provide proof of registration.

- * Business Visa: persons entering PNG to attend business meetings, board meetings, conferences exploratory business visits or participates in business negotiation. This type of visa if valid for 12 months has multiple entries with 90 days each visit.
- * APEC Business visitors: PNG as a member nation of APEC recognizes and encourages those eligible to obtain a card for APEC Business travels or visitor.

Application

• Employment Agent:

In most cases, employers wishing to employ a non-citizen worker will engage the services of a registered PNG Employment Agent to assist with the application process. An Employment Agent is a person who assists businesses to engage the services of non-citizen employees, including obtaining a work permit, assisting with Training Plans and obtaining a Visa for the non-citizen.

Visa

Visa must be issued by the Chief Immigration Officer, PNG Immigration & Citizenship Service Authority. All non-citizens entering PNG must first apply for relevant visa directly to PNGICS or through the PNG's foreign missions located in the foreign country. Non-citizens who have been granted a work permit are granted a specific visa called the Working Resident Entry Permit.

Application Fee

| Category | Fees |
|------------------------------------|---|
| Working Resident Entry Permit Visa | K1000 |
| Business Visa | *K500 for Single Entry Business Visa *K1000 for Multiple Entry Business Visa |



The Working Resident Visa Category

| Type | Specification | Period |
|---|--|------------------------|
| Business person/ investor | To invest and/or establish a business | 3 months |
| Employment | To work in PNG | 6 months to 3 years |
| Short Term Employment | To perform short work assignments and relief duties | Up to 12 months |
| Consultant/Specialist | For persons with specialized skills who carry out a specific work assignment | Up to 3 months |
| Employee of Major Development Project Companies | For major infrastructural development companies - entry is allowed without work permit | 6 months |
| Dependent of Citizen (Working) | a dependent spouse of a PNG Citizen who will occupy localized positions | |

Other Type of visa:



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