



INDEPENDENT STATE OF PAPUA NEW GUINEA

Papua New Guinea Special Economic Zones Foundation Policy

2025 - 2032

"Our greatest policy failure since 1975 has been our over-reliance on the mining and petroleum sectors and export of raw materials. That era is over. We are now committed to diversifying our economy — unlocking the full potential of downstream manufacturing, fisheries, forestry, large-scale agriculture, tourism, and other non-extractive industries. Through Special Economic Zones as our vehicle, we will chart a bold new course toward true economic independence within the next 20 years."

— *Hon. Richard Maru, BTech, MBA, OBE, MP, Minister for International Trade & Investment,
Member for Yangoru-Saussia District*





Lord's Prayer

Our Father, who art in heaven, hallowed be thy name. Thy kingdom come, thy will be done, on earth as it is in heaven. Give us this day our daily bread. And forgive us our trespasses, as we forgive those who trespass against us. And lead us not into temptation, but deliver us from evil. For thine is the kingdom, and the power, and the glory, for ever and ever.

Amen.

National Anthem

O arise all you sons of this land
Let us sing of our joy to be free,
Praising God and rejoicing to be
Papua New Guinea

Chorus :
Shout our name from the mountains to the seas
Papua New Guinea;
Let us raise our voices and proclaim
Papua New Guinea
Now give thanks to the good Lord above
For his kindness, His Wisdom love
For this land of our fathers so free
Papua New Guinea

Chorus :
Shout again for the whole world to hear
Papua New Guinea
We're independent and we're free,
Papua New Guinea



National Pledge

We, the people of Papua New
Guinea,

pledge ourselves united in one
nation.

We pay homage to our cultural
heritage,

the source of our strength.

We pledge to build a democratic
society based on justice, equality,



ACRONYMS

AC	Airport City
ACP	Arts and Culture Park
AFZ	Airport Free Zone
BA	Bonded Area
BFS	Banks and Financial Services
BOA	Board of Approval
BOI	Board of Investment
BPNG	Bank of Papua New Guinea
BTZ	Border Trade Zone
CEPA	Conservation Environmental Protection Authority
CCM	Customs Clearance and Management
CRIP	Company Registration and Investment Promotion
CSA	Competent State Agency
CSEZ	Comprehensive Special Economic Zone
DDI	Domestic Direct Investment
DLIR	Department of Labor and Industrial Relations
DLPP	Department of Lands and Physical Planning
EDC	Economic Development Corporation
EIZ	Eco-Industrial Zone
EM	Employment Management
EP	Energy Park
EPC	Environmental Practice and Compliance
EPZ	Export Processing Zones
ESP	Environmentally Sustainable Practice
EZ	Enterprise Zone
FD	Final Determination
FDI	Foreign Direct Investment
FM	Financial Management
FP	Forestry Park
FPZ	Free Port Zone
FSEZ	Finance SEZ
FTZ	Free Trade Zones
GoPNG	Government of Papua New Guinea
IACP	International Accreditation and Certification Program
ICC	Industrial Centers Concept
ICDC	Industrial Centers Development Corporation
IDP	Infrastructure Development Plan
IP	Industrial Park
IR	Investor Relations
IRC	Internal Revenue Commission



ISP	International Selection Process
LB	License Based
LDC	Leased Developed Countries
LNE	Linkages to the National Economy
LOB	Landowner Benefit
LP	Logistics Park
MA	Market Access
MITI	Ministry of International Trade and Investment
MIZ	Marine Industrial Zone
M&E	Monitoring and Evaluation
MRP	Metals Refinery Park
NAQIA	National Agriculture Quarantine and Inspection Authority
NCD	National Capital District
NCP	National Content Policy
NEC	National Executive Council
NISIT	National Institute of Standards and Industrial Technology
NPC	National Procurement Commission
OSS	One-Stop-Shop
PNGCS	Papua New Guinea Customs Service
PNG	Papua New Guinea
PNGICA	Papua New Guinea Immigration and Citizenship Authority
PNGIPA	Papua New Guinea Investment Promotion Authority
PP	Petroleum Park
PPP	Public Private Partnership
R&D	Research and Development
REZ	Residential Estate Zone
R&O	Rights and Obligation
RS	Regulatory Services
SEZ	Special Economic Zones
SEZA	Special Economic Zones Authority
SEZDP	Special Economic Zones Development Program
SEZIF	Special Economic Zone Investment Fund
SEZP	Special Economic Zone Procurement
SEZT	Special Economic Zone Taxation
SFZ EPZ	Single Factory Zone Export Processing Zone
SI	Special Immigration
SLL	SEZ Land Lease
SSD	Special Security Detailing
STP	Science Technology Park
SWC	Single Window Clearance
WGA	Whole of Government Approach
WMP	Waste Management Plan
ZA	Zonal Administrators



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**“Papua New Guinea is home
to 20% of the World’s Tuna”**





Rabaul, located in East New Britain Province of Papua New Guinea, is known for its dramatic volcanic landscapes, World War II history, and vibrant cultural traditions — including the fire dancers, a must-see spectacle.





ACKNOWLEDGEMENT

We acknowledge with thanks the extensive support and contributions from key Government Departments, State Agencies, and Competent Agencies identified in the Policy which include the Department of Prime Minister and National Executive Council, Department of International Trade and Investment, Department of National Planning and Monitoring, Department of Lands and Physical Planning, Special Economic Zone Authority, Papua New Guinea Immigration and Citizenship Authority, Internal Revenue Commission, Investment Promotion Authority, Papua New Guinea Customs Service, National Trade Office, National Agriculture Quarantine and Inspection Authority, Conservation Environmental Protection Authority, Land Commission of Papua New Guinea, Provincial Governments and District Development Authorities.

We wish to thank all our corporate sponsors who sponsored our first international SEZ Summit including; Kumul Petroleum Holdings Limited, Kumul Consolidated Holdings Limited, PNG Ports Corporation Limited, Mineral Resources Development Corporation, Water PNG Limited, Telikom PNG Limited, Securities Commission of Papua New Guinea, National Fisheries Authority, Department of National Planning and Monitoring, Ministry of International Trade and Investment, Special Economic Zone Authority.

We also thank the many stakeholders in the public, private, civil society organizations, landowner groups and individuals who have contributed to the development of this first-ever Papua New Guinea Special Economic Zone Foundation Policy.

Finally, we acknowledge the leadership of the Minister for International Trade and Investment & Yangoru-Saussia MP, Hon. Richard Maru for the political will and the drive for the development of this policy, and for spearheading the Special Economic Zones agenda in Papua New Guinea.

Above all, we acknowledge our Heavenly Father for his wisdom and guidance in developing this policy.





PRIME MINISTER'S FOREWORD

HON. JAMES MARAPE, MP
PRIME MINISTER OF PAPUA NEW GUINEA

As we approach PNG's 50th independence celebrations on the 16th of September 2025, I declare this 'Papua New Guinea Special Economic Zones Foundation Policy 2025 – 2032' to chart a new era of renewed hope for rapid economic growth and prosperity for our nation for the next 50 years.

Our government places a high priority on Special Economic Zone (SEZ) developments around the country as the vehicle to practically promote economic diversification, industrialization, and rural development.

SEZs, when fully operational, must support our government's high-level national development aspirations as contained in the Medium-Term Development Plan (MTDP) IV and beyond to raise the economy to K200 billion, create one million jobs and elevate Papua New Guinea (PNG) as a middle-income country by 2030.

This is a big call but as a country endowed with vast natural and human resources and untapped investment opportunities, it is achievable. Let us be inspired by other rapidly industrialized Southeast Asian countries like China, the Philippines, Malaysia, Thailand, Bangladesh, and Indonesia, that have effectively developed numerous SEZs as their primary economic driver that transformed their struggling nations to economic prosperity and middle-income countries in this century.

In its quest for economic self-reliance and sustenance since independence, the Government is committed to provide enabling infrastructure and state equity and also collaborating with development partners and key stakeholders in developing SEZs and offer attractive incentives to lure multimillion/billion-kina investments into the zones.





I commend the Minister for International Trade and Investment, Hon. Richard Maru, MP, for taking the lead in developing this SEZ Foundation Policy to guide the process. I urge all key stakeholders and Papua New Guineans to effectively support this, Policy.

James Marape

HON. JAMES MARAPE, MP
Prime Minister of Papua New Guinea





**STATEMENT BY THE MINISTER FOR
INTERNATIONAL TRADE & INVESTMENT**

HON. RICHARD MARU

BTech, MBA, OBE, MP

I am extremely honoured as the Minister responsible for Special Economic Zones (SEZs) to stand by the Prime Minister of Papua Ne Guinea (PNG), Hon. James Marape, MP, to present PNG's first ever comprehensive Special Economic Zones Foundation Policy 2025-2032 before PNG's 50th Golden Jubilee Year falls on the 16th of September 2025.

PNG is the last frontier to industrialization envied by lucrative investors for its vast natural resources. Taking this as a competitive edge, the Marape-Rosso Government places SEZs as a driving force to attract multi-billion-kina investments to create wealth, grow the economy, create millions of jobs, and improve the quality of life for all Papua New Guineas.

I believe that SEZs are the gamechangers for PNG in this 21st Century to transform our economy from being a net exporter of raw materials to a net exporter of value-added PNG made products to the world. This is why the Marape-Rosso Government is committed through my Ministry to deliver SEZs as high impact projects to aggressively promote and facilitate economic diversification and industrialization not experienced by this country since Independence.

I have no doubt that SEZs will be the major contributor to our gross domestic product and doubling the size of our economy and secure economic independence by 2030.

SEZ is not a new development model as it has been around in the world for over 50 years and other countries have done well to set up SEZs that rapidly propelled their economies. It is also not a new concept to PNG because we have had similar concepts for about 30 years. But we must get it right this time.

We started with a type of SEZ at Malahang in Lae in 1993 and Ulaveo in East New Britain, then we went on to the Free Trade Zone in Vanimo, launched the PMIZ in Madang 15 years ago, and recently we launched the Konebada Petroleum Park.





These are different types of SEZs that we established but we completely failed in delivering any of them, except for the Malahang SEZ which we had a little success with.

We must learn from our past mistakes and develop a new policy and regulatory framework anchor SEZ development in our country based on world-class models that are very successful.

Under the leadership of Prime Minister Marape, the Government revisited the idea of SEZs by passing the SEZ Act of 2019. I am glad to say that we had made initial progress in establishing SEZA which is now operational under the provision of Section 6 of the SEZA Act 2019 which provides for the establishment of SEZA.

SEZA has already issued a license to Paga Hill Development Estate focusing on the development of Tourism SEZ. Furthermore, two new SEZs have been directly established by legislation- the Manus SEZ and the Gazelle Aoro Industrial SEZ in East New Britain Province.

We commend the Marape-Rosso Government for its vision and leadership in advancing this initiative, especially during a time when the country is facing significant economic challenges. The Government's commitment to SEZ development is a critical step in the right direction.

Despite having world-class resource projects in our extractive sector, our economy is struggling with high levels of unemployment, crime, national debt, and foreign currency rationing crisis. Therefore, SEZ is the best Government option based on the lessons we have learnt from countries like Indonesia, Thailand, China, and the Philippines.

Let me acknowledge the invaluable contributions by all stakeholders including corporate sponsors and individuals who has contributed to develop this Policy.

Let us commit this Foundation SEZ Policy to God for his blessings as we embark on a major national economic transformation using SEZs for significant economic growth and employment growth.

God bless Papua New Guinea.

Richard Maru

HON. RICHARD MARU, BTech, MBA, OBE, MP
Minister for International Trade & Investment





INTRODUCTORY REMARKS BY SECRETARY JACINTA WARAKAI-MANUA

What a privilege and honor to standby the Prime Minister of Papua New Guinea, Hon. James Marape, MP, and the Minister for International Trade and Investment & Member for Yangoru-Saussia, Hon. Richard Maru, MP, to deliver this first-ever 'Papua New Guinea Special Economic Zones Foundation Policy 2025 – 2032 to the people of Papua New Guinea (PNG) during this 50th Jubilee Year of PNG as a sovereign nation.

This Special Economic Zone (SEZ) Foundation Policy provides a starting point for the implementation of SEZs in PNG and aligns the Government's intent to grow the national economy and accordingly transform the nation through the SEZ development pathway.

The Foundation Policy provides the official Government direction to the Special Economic Zones Authority (SEZA) Act 2019 (amended) and guides SEZA in implementing the SEZ Development Program (SEZDP) and regulating the development and operation of SEZs in PNG.

The Foundation Policy is presented in an 'SEZ - Specific Format' and is consistent with the SEZ policy format adopted worldwide including Asia, Europe, and Africa. The order of presentation of the policy content is specifically aligned with the corresponding sections of the already enacted SEZA Act 2019 (amended) for ease of referencing in aligning the regulatory aspects of policy and legislation.

There are six (6) main parts to the Foundation Policy, and these include:

- Part 1- Definition of Special Economic Zones and Background to Special Economic Zones
- Part 2- Rationale, Vision, Mission, Goals, and Linkages to National Priorities
- Part 3- Regulatory and Governance Framework
- Part 4- Implementation Framework
- Part 5- Monitoring and Evaluation & Policy Recommendations
- Part 6- Schedules

The vision, mission and goals for developing SEZs in PNG are primarily focused on developing SEZs as a direct economic intervention program to stimulate, develop and sustain the economic growth of the nation.





The vision, mission, goals, and policy framework for the SEZ Foundation Policy are directly compatible with key national priorities as enshrined in the Constitution and main development pathways including Vision 2050, PNG Development Strategic Plan 2010- 2030, National Trade Policy 2017- 2032, Connect PNG Development Program 2020- 2040, Medium Term Development Plan IV 2023– 2027, and National Content Policy.

This Policy serves as a guide to every stakeholder be it a Government agency, private investor, or a local community, to ensure we support the Government's agenda on SEZDP through a coherent and well-coordinated manner, ensuring benefits of SEZs are fairly distributed around the country.

The Department of International Trade and Investment as the policy arm of the Ministry will provide policy oversight, and coordination and monitoring in collaboration with the SEZ Authority and other key stakeholders.

At this juncture, I wish to acknowledge the strong leadership provided by Hon. Richard Maru to develop this Foundation Policy Framework, Team from SEZ Authority, Japan Development Institute and others who contributed towards the formulation of this Policy.

Jacinta Warakai-Manua

JACINTA WARAKAI-MANUA

Secretary for Department of International Trade & Investment





EXECUTIVE SUMMARY

The Papua New Guinea (PNG) Special Economic Zones (SEZ) Foundation Policy is a transformative initiative designed to propel PNG's economic development by establishing SEZs as catalysts for growth. This policy outlines the legal, regulatory, and governance frameworks necessary for SEZ implementation, with the goal of creating over one million jobs, doubling the GDP, and attracting significant foreign direct investment (FDI).

The policy is deeply rooted in the context of PNG's economic history and current challenges, offering a structured roadmap that leverages global best practices while being tailored to the unique needs of PNG. It includes detailed plans for land acquisition, infrastructure development, and stakeholder engagement, supported by a comprehensive Monitoring and Evaluation (M&E) framework. The document also draws from successful SEZ models worldwide, providing practical lessons and strategies for PNG's context.

This policy document serves as a guide for all stakeholders—Government agencies, investors, and local communities—ensuring that the benefits of SEZs are widely shared and contribute to sustainable economic development.

The Government is committed to support the implementation of this Foundation Policy to setup SEZs as conduit for sustainable growth and development.

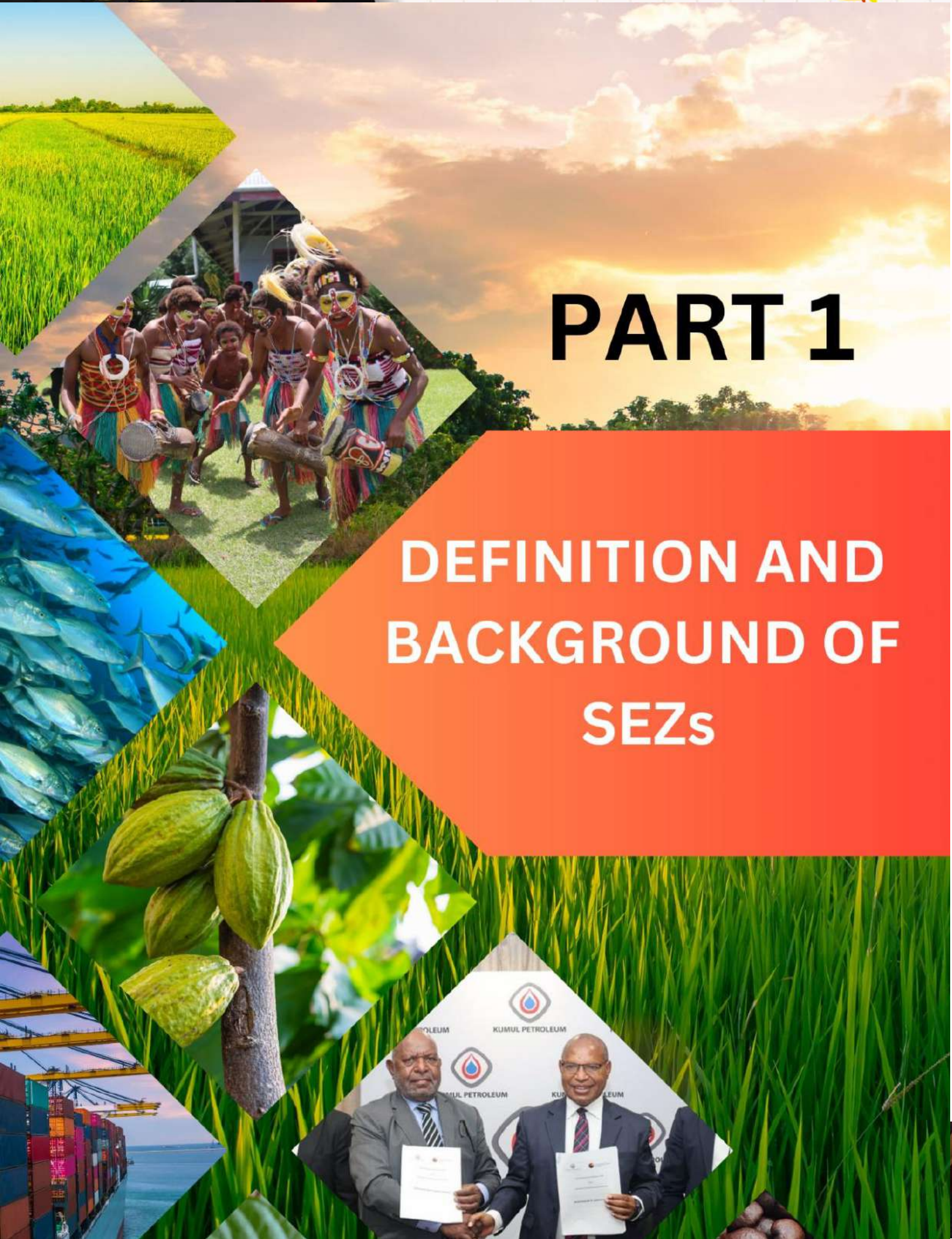
This Policy will be periodically reviewed and refined to ensure it remains relevant for PNG and internationally competitive and attractive as an investment regime.





PART 1

DEFINITION AND BACKGROUND OF SEZs





1.1. WHAT ARE SEZs

1.1.1. DEFINITIONS

The Foundation Policy has three (3) key definitions:

- A. A Special Economic Zone (SEZ) is any delimited and declared geographic area with serviced lands and is usually physically secured or fenced-in to operate as an enclave. It has a single regulatory framework and has a single administration or management. Benefits are offered to zone investors and the zone has a separate customs area (duty-free benefits) and streamlined procedures to operate single or multi-authorized economic activities of scale (*World Bank 2008, Edited*).

An SEZ is designed to generate positive economic growth in which the business and trade laws are different from the rest of the country. SEZs are located within a country's national borders which tend to be conducive to attract foreign direct investment (FDI) through incentives and key enabling infrastructure and requirements. SEZs have a physical, strategic, and financial linkage to the local economy.

There are SEZs of high national interest which the Government has to provide enabling infrastructure and state equity, and SEZs that are not of high priority but are still important. In the PNG context, an example of an SEZ of high national interest is a Rice SEZ as we need to replace the annual K900 million worth of rice import.

- B. A Special Economic Zone Investment is the acquisition or creation of a new asset including the expansion or restructuring or rehabilitation of an existing enterprise to operate as an SEZ enterprise in accordance with the regulatory framework.
- C. A Special Economic Zone Development Program (SEZDP) is the national program to institutionalize the planning, implementation, monitoring, evaluation, and improvement of SEZs in the country.

1.1.2. ROLES OF SEZs

The SEZ agenda is part of the greater economic reform and growth strategy to positively impact the overall development of a country. It is directly compatible to the key national pathways, policies, plans, and strategies.





The primary aim of SEZs is to:

- i. Increase exports and replace imports;
- ii. Increase employment and job creation;
- iii. Increase investment and effective administration;
- iv. Create incentives and One-Stop-Shop for the investors; and
- v. Be a vehicle to drive economic growth and create wealth.
- vi. Drive major socio-economic development in rural areas.

SEZs play an important role through its strategic design as a development vehicle to directly enhance, promote, and implement:

- i. National trade;
- ii. Investment;
- iii. Spatial industrial development priorities;
- iv. Economic reform;
- v. Job creation;
- vi. Experimentation with application of new policies and approaches; and
- vii. Repositioning the country in regional and global trade and investment setting.

By nature of its design, SEZs are structured to meet the expected policy outcomes and development goals of the country by overcoming constraints that limit the growth of investment in the wider national economy, including poor governance, restrictive policies, inadequate enabling infrastructure, skilled labor shortage, accessibility to land, currency stability, general ease/ cost of doing business, and law-and-order.

1.1.3. CATEGORIES OF SEZs

Different types of SEZs from around the world can be categorized into seven (7) main categories, and they are:

- i. Free Trade Zones (FTZs) also known as '*Commercial Free Zones*' are fenced-in, duty-free areas offering warehousing, storage, and distribution facilities for trade, transshipment, and re-export operations.
- ii. Export Processing Zones (EPZs) are industrial estates aimed primarily at foreign markets. It is an industrial estate, usually a fenced in area of 10 to 300 hectares that specializes in manufacturing for export.
- iii. Hybrid EPZs are typically sub-divided into a general zone open to all industries and a separate EPZ area reserved for export-oriented EPZ-registered enterprises.





- iv. Enterprise Zones (EZs) are intended to revitalize distressed urban or undeveloped areas through the provision of tax incentives and financial grants.
- v. Free Ports typically encompass much larger areas near shipping ports and airports. They accommodate all types of activities, including tourism and retail sales, permit on site residence, and provide a broader set of incentives and benefits.
- vi. Single Factory EPZ schemes provide incentives to individual enterprises regardless of location; factories do not have to locate within a designated zone to receive incentives and privileges.
- vii. Specialized Zones include science/technology parks, petrochemical zones, logistics parks, airport-based zones, and so on.

1.1.4. TYPES OF SEZs

PNG SEZDP is to adopt a *'flexible regime'* which, in the SEZ context, is an open regime that makes allowance for all different types of SEZs to be developed. The flexible regime provides a shift away from the concentrated or capped regime that PNG had ventured into when it previously focused on the Industrial Centres and Border Free Trade Zones.

A minimum of twenty-six (26) types of SEZs that are applicable and relevant to PNG are targeted for development. Definitions of the different types of SEZs are provided below. Unless otherwise stated, the definitions have been adopted from the World Bank, and amended accordingly where necessary.

- i. Agriculture Park (AP)- also called *'Agro- Industry Park'* is specially dedicated to adding value to agriculture produce/commodities to meet demand for domestic market and for export. This scheme develops the entire supply chain from production (farming) to processing and export. These parks are normally located in rural areas and tax and regulatory incentives are provided to attract investors to develop and operate the parks.

AP is relevant to PNG's priority in developing commercial agriculture to address the domestic needs for food security and to supply the international food chain market. Baiyer valley, Markham valley, Karimui, and the Sepik Plains can be developed to APs.

- ii. Airport City (AC)- an integrated airport and city development which comprises an aviation transportation hub with associated businesses of aviation,





warehousing, supply, and logistics sector within a mixed-use city setting of business, light industries, light manufacturing and processing, residences, and all amenities for a city including essential services and recreation.

Tax and regulatory incentives are provided to attract investors to develop and operate in the zone.

AC is relevant and applicable in major airport settings in PNG to create business and trade in a mixed type of development setting. Nadzab and Tokua can be developed to ACs.

- iii. Airport Free Zone (AFZ)- is comprised of logistics and business parks. Airport Logistics Park is where investors may set up companies in key businesses of aviation, warehousing, supply and logistics sectors, and the business park is where investors may register companies operating in the storage, warehousing, and land development sectors. Tax and regulatory incentives are provided to attract investors to develop and operate.

AFZ is relevant in upgrading PNG's major airports into SEZ setting to create business and trade.

- iv. Arts and Crafts Park (ACP)- also known as '*Cultural and Creative Industries*' is a designated area for investments to promote industries in arts and crafts and associated products including literature, music, performing arts, and visual. Other related industries include film, museums and libraries, heritage services, publishing, television, and radio (*City University of Macau, 2021*).

ACP is relevant and necessary to protect and promote PNG's diverse and unique cultures and traditions.

- v. Bonded Area (BA)- also known as '*Bonded Warehouses*' are specific buildings or secured areas in which goods may be stored, be manipulated, or may undergo manufacturing operations without payment of duties that would ordinarily be imposed. To some extent, a BA is similar to a FTZ or FPZ, however, the major difference is that a BA is subject to customs laws and regulations while a FTZ is exempt from these provisions.

BAs are applicable for PNG to facilitate trade activities.

- vi. Border Trade Zone (BTZ)- is similar to a FTZ or EPZ with mixed use developments and includes military border posts. It is a fenced-in area(s) agreed by countries sharing common international border to facilitate cross-border trade. Depending on market demand and trade agreements of participating countries, various SEZ types can exist in the zones and goods and





services are exported or traded under specific customs regulations and generally not subject to customs duty, with other tax and regulatory incentives including border crossing and immigration.

BTZ is relevant to address PNG's international border trade interests with Indonesia, Solomon Islands, and Australia.

- vii. Comprehensive Special Economic Zone (CSEZ)- also called '*Multi-functional Economic Zone*' is a zone of a large size that have a mix of different industrial, service, and urban-amenity operations. In some cases, this zone can encompass a whole city or jurisdiction, such as Shenzhen City and Hainan Province in China. *FIAS (2008), Zeng (2010)*

CSEZ is relevant to PNG in building SEZs under a mixed-use setting to incorporate all key sectors to address economic growth and key development priorities.

- viii. Eco-Industrial Zone or Park (EIZ)- focuses on ecological improvements in terms of reducing waste and improving the environmental performance of firms. They often use an industrial symbiosis concept and green technologies to achieve energy and resource efficiency. Given the severe environmental challenges, an increasing number of countries are embracing this new type of zone.

EIZ is relevant in achieving PNG's alignment in green solutions, climate resilient and sustainable development.

- ix. Energy / Hydrogen Park (EP)- an area dedicated specifically for generation of clean renewable energy for transmission and distribution for zone use or off-site markets. Investors are to participate as independent power producers. This scheme provides tax and regulatory incentives to attract investors.

EP is relevant for PNG as it captures PNG's aspirations to develop clean energy through commercially viable ventures in hydro, solar, hydrogen, and wind.

- x. Enterprise Zone (EZ)- is generally located on deprived or undeveloped areas of regional centers. Companies are attracted to invest in these areas with tax and regulatory incentives and accordingly encourage development in the identified areas. As undeveloped areas, selected enterprises could be considered to begin with what infrastructure that are available.

EZ is relevant for PNG and is applicable to drive economic activities in depressed areas of urban towns and cities including NCD.





- xii. Export Processing Zone (EPZ)- A specific type of FTZ usually set up by Governments in developing countries to promote industrial and commercial exports. It is an industrial estate, usually a fenced in area of 10 to 300 hectares that specializes in manufacturing for export.

EPZ offers firms free trade conditions and a liberal regulatory environment to attract foreign investors, collaborators, and buyers who can facilitate entry into the world market for some of the economy's industrial goods, thus generating employment and foreign exchange.

EPZ is for export oriented SEZs and is directly applicable to PNG's goal for downstream processing and export of agriculture, fisheries, forestry, and mining and petroleum commodities.

- xiii. Finance SEZ (FSEZ)- is a standalone SEZ area or part of mixed-use development of a zone allocated exclusively for production and export of finance to invest in the domestic territory or offshore in the international markets.

FSEZ is relevant to PNG as it provides the vehicle for the nation to expand its finance industry.

- xiv. Free Port Zone (FPZ)- is a special kind of port, and it applies specifically to both airports and seaports. Imports entering the FPZ are handled, manufactured, or re-configured for re-export.

FPZ has distribution facilities for trade, transshipment, and re-export operations under specific customs regulations and generally not subject to customs duty. Tariffs only apply to exports when they reach their final destination including the domestic customs territory outside the zone.

FPZ is relevant to the strategically placed airports and seaports in PNG.

- xv. Free Trade Zone (FTZ)- is a small, fenced-in, duty free areas, offering warehousing and storage of imported goods which can be handled, manufactured, or re-configured for re-export. FTZ has distribution facilities for trade, transshipment, and re-export operations under specific customs regulations and generally not subject to customs duty. FTZs are generally organized around major seaports, international airports, and national frontier areas with geographic advantages for trade.

FTZ is applicable for export oriented SEZs and is relevant for PNG.





xv. Forestry Park (FP)- is an area dedicated specifically to storage and downstream processing of logs into timber and wood products for domestic use and export. This scheme provides tax and regulatory incentives to attract investors. FP is relevant and directly applicable to add value to PNG's Forest products. It Provides the intervention to address the nation's Post 2025 aspirations for downstream processing of wood products.

xvi. Health Park (HP) – refers to a selected area which is highly developed into a hub of medical facilities for taking care of the well-being of the people as well as for medical tourism.

xvii. Industrial Park (IP)- also called '*Industrial Zones*' are largely manufacturing-based sites. IPs may contain both light and heavy industries. The parks normally offer a broad set of incentives and benefits to attract investors.

IP is highly relevant to advance PNG's course of industrialization in all key economic sectors.

xviii. Logistics Park (LP)- an area designated specifically for provision of transport, storage, and cargo handling services to other parties whether local or international. Tax and regulatory incentives are provided to attract investors to develop and operate an LP. Other SEZs may also have small, designated LPs or areas allocated to cater for logistic needs of the zone.

LP is applicable along major transportation routes and ports throughout PNG.

xix. Marine Industrial Zone (MIZ)- is an area dedicated specifically to landing and processing of fish and marine products for export. This scheme provides tax and regulatory incentives to attract investors into the zone.

The MIZ is applicable to PNG and directly addresses the Government's aspirations to build fish and marine downstream processing industries in the country. The Pacific Marine Industrial Zone (PMIZ) in Madang is considered an MIZ.

xx. Metals Refinery Park (MRP)- is an area dedicated specifically for refining all forms of metals for domestic use and export. The scheme provides tax and regulatory incentives to attract investors to operate in the zone.

MRP is relevant for PNG and provides the vehicle for down streaming of precious metals for trade, jewelry, and decorations.





- xxi. Petroleum Park (PP)- is an area dedicated specifically to storage and downstream processing of petroleum products through refinery and petrochemical plants for domestic use and export. This scheme provides tax and regulatory incentives to attract investors to operate in the zone.

PP is relevant for PNG and directly provides the vehicle for PNG to downstream its petroleum products including its liquefied natural gas (LNG).

- xxii. Residential Estate Zone (REZ)- is an area for housing or residences and is usually developed as an estate with mixed-use developments including businesses, service industries, and all basic amenities. REZ may exist as a component of other SEZ types.

REZ is necessary to address the nation's growing demand for social housing and the commercial real estate industry.

- xxiii. Science and Technology Park (STP)- is a facility or area that supports and promotes technological development including research and attracting technology-based companies. The purpose is to facilitate innovation and knowledge-based economies. Such parks provide an environment and ecosystem (e.g. proximity to research institutes and universities) conducive to innovation, knowledge-based work, and R&D activities. (*UNESCO*). Alternate titles of STP are technopolis, science city, cyber park, hi-tech (industrial) park, innovation centre, R&D park, university research park, research and tech park, science and tech park, science town, technology incubator, technopark, technopole, and technology business incubator. (*UNESCO*)

STP is relevant to PNG and is applicable to provide knowledge-based innovations.

- xxiv. Services Industry Park (SIP)- this covers services such as financial, specialized health and education, transport and logistics, and online internet buying and selling.

- xxv. Single Factory Zone EPZ (SFZ EPZ)- this scheme provides tax and regulatory incentives to individual enterprises regardless of location; factories do not have to locate within a designated zone to receive incentives and privileges.

Note: Single factory EPZ programs are similar to bonded manufacturing warehouse schemes, although typically offering a broader set of benefits and more flexible control.





xxvi. Tourism Zone (TZ)- is an area identified specifically to promote, invest in, and develop strong tourist themes both within the natural settings and built environments of the identified area. Special tax and regulatory incentives are applied to encourage investors to invest and develop the tourism products.

TZ is applicable in PNG and relevant to promote the tourism industry. Rabaul can be developed into a TZ.

1.2. THE BACKGROUND OF SEZs

The success of SEZs and its appropriateness as a driver to economic growth to PNG can be tracked globally and within the neighboring ASEAN Region.

1.2.1. GLOBAL SUCCESS

History of SEZ traces back to Ireland where the first modern SEZ was established in 1959. Since its inception, many SEZs have evolved all over the world. Today, there are over 5,400 SEZs that have contributed to the transformation of the economies of over 147 countries and have created over 80 million new jobs.

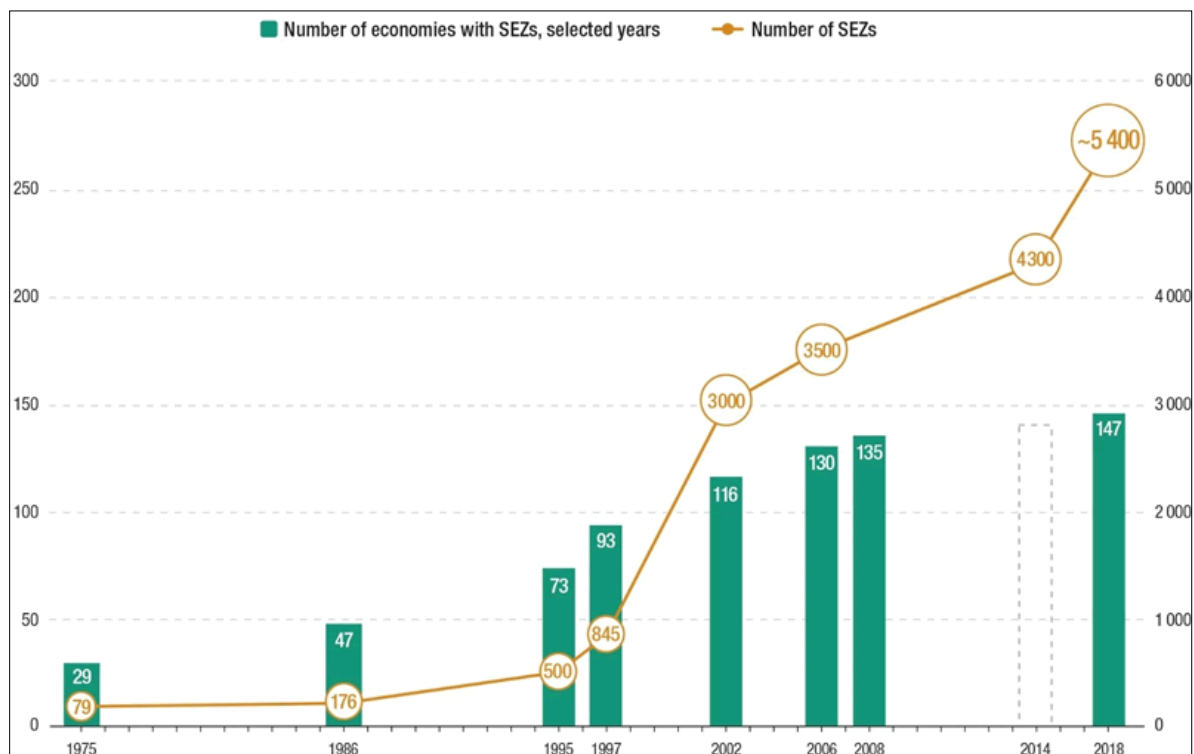


Figure 1.0- Historical Trend in SEZs (Numbers of Countries and SEZs)- Source: UNCTAD

SEZ is a globally proven intervention in the economic growth strategy and consequential development of nations all over the world. The global success of SEZs is testament in neighboring developing countries in the Asian region including the





economic powerhouse of China, the success of the African region, and strategic transformations of the western world including Europe and the region of America including the *United States*.

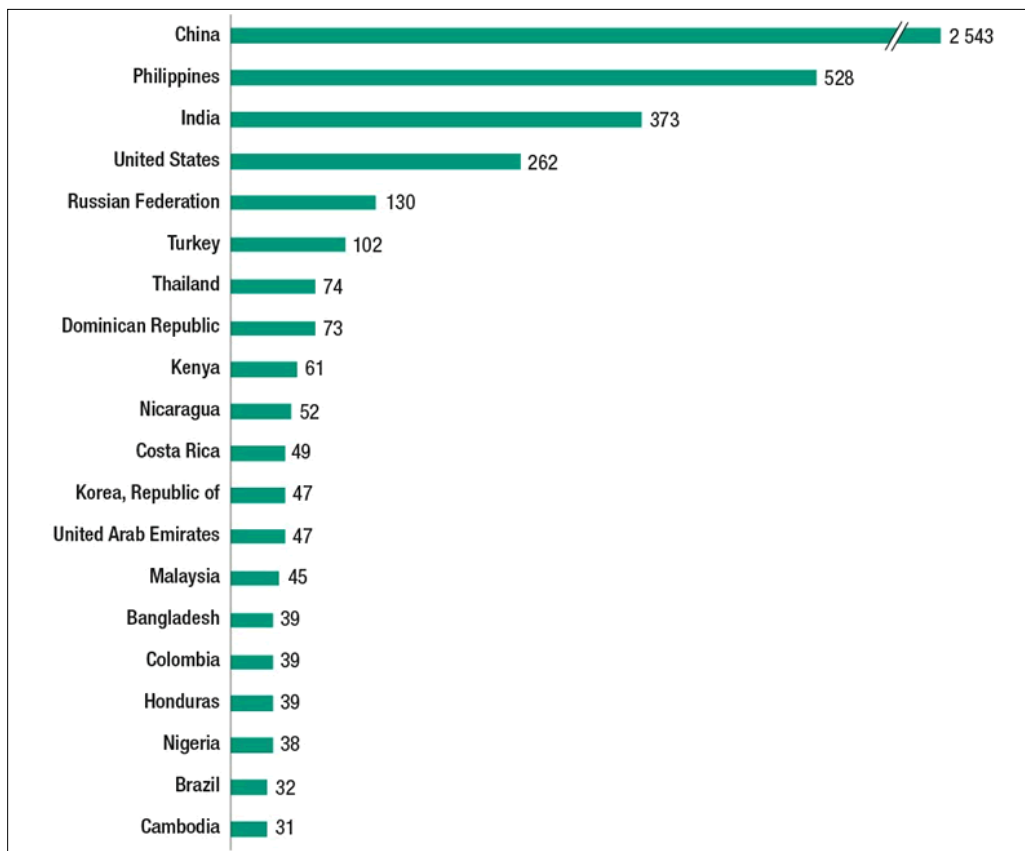


Figure 2.0- Economies with most SEZs in 2019- Source: UNCTAD

While there is demonstrated success of SEZs worldwide, smaller developing countries have had mixed results. Hence, SEZ has not been universally successful. The mixed results demonstrate that there are no 'off the shelf' model for implementation of SEZs and it can take five to ten years for SEZs to become successful.

A. Successful SEZ Models Worldwide

The SEZ policy draws on the experiences of countries that have successfully implemented SEZs, offering valuable lessons for PNG. Below are detailed case studies from three countries:

i. China (Shenzhen SEZ)

Established in 1980, Shenzhen is one of the most successful SEZs globally. It transformed from a small fishing village into a global manufacturing and technology hub. Key factors in its success include massive infrastructure





investment, favorable tax policies, and a strong regulatory environment. Shenzhen's success highlights the importance of clear Government support, a favorable business climate, and strategic location.

ii. Philippines (Subic Bay Freeport Zone)

The Subic Bay Freeport Zone is another successful SEZ that attracted significant foreign investment by offering tax incentives, streamlined business processes, and world-class infrastructure. The zone's success underscores the importance of PPPs, investor-friendly policies, and robust infrastructure development.

iii. United Arab Emirates (Jebel Ali Free Zone - JAFZA)

JAFZA in Dubai is one of the world's leading free trade zones, home to thousands of companies from various industries. Its success is attributed to a strategic location, excellent logistics infrastructure, and comprehensive business services. JAFZA demonstrates the importance of integrating SEZs with global trade networks and providing comprehensive support to businesses.

B. Analysis of Global Trends

The global context for SEZs is rapidly evolving, with new trends such as the rise of digital and innovation hubs, the increasing importance of sustainability, and the growing role of SEZs in regional trade networks. PNG's SEZ policy takes these trends into account, ensuring that PNG's SEZs are positioned to take advantage of global opportunities.

1.2.2. REGIONAL SUCCESS

SEZs have proven very successful as an economic policy tool and growth strategy to transform neighboring ASEAN Nations with economics of scale to advance their growth from LDCs to middle class and developed economies of East Asia and the greater Asia Region.

The success of Indonesia, Malaysia, Singapore, Thailand, Bangladesh, and the Philippines as shown in [Figures 3 and 4](#) are some of the testimonies of the significance and relevance of SEZs within the immediate neighboring region to PNG.

SEZ has grown significantly throughout the neighboring Asian region. Approximately 3,800 SEZs have been successfully built and are being operated in the most successful Asian countries.



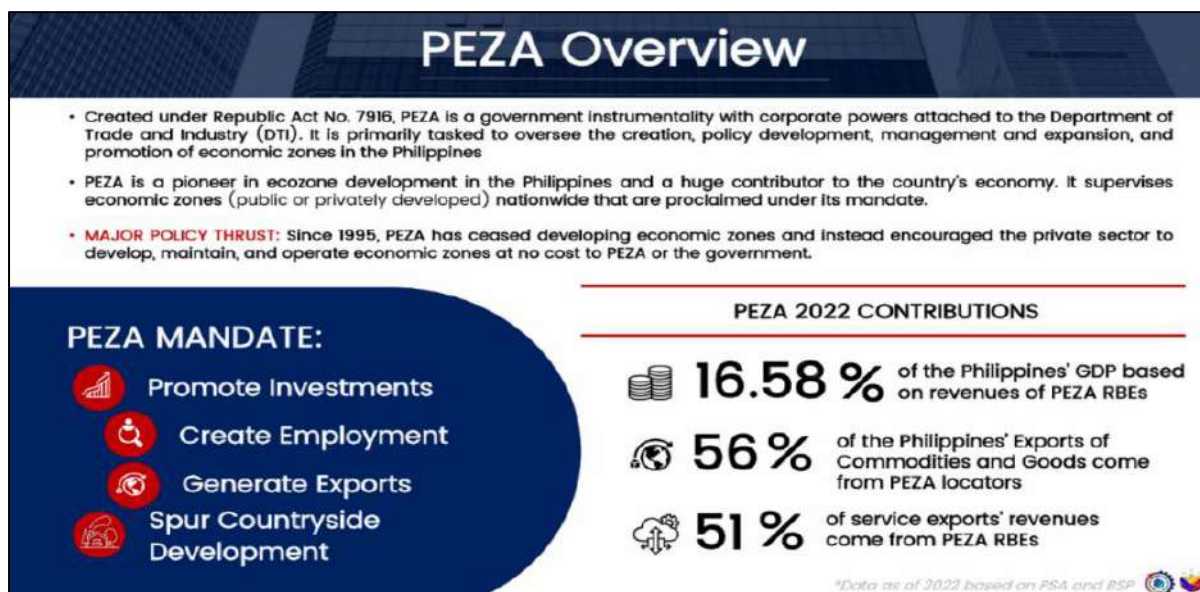


Figure 3.0- Overview of the Philippines Economic Zone Authority (PEZA)- Source: PEZA

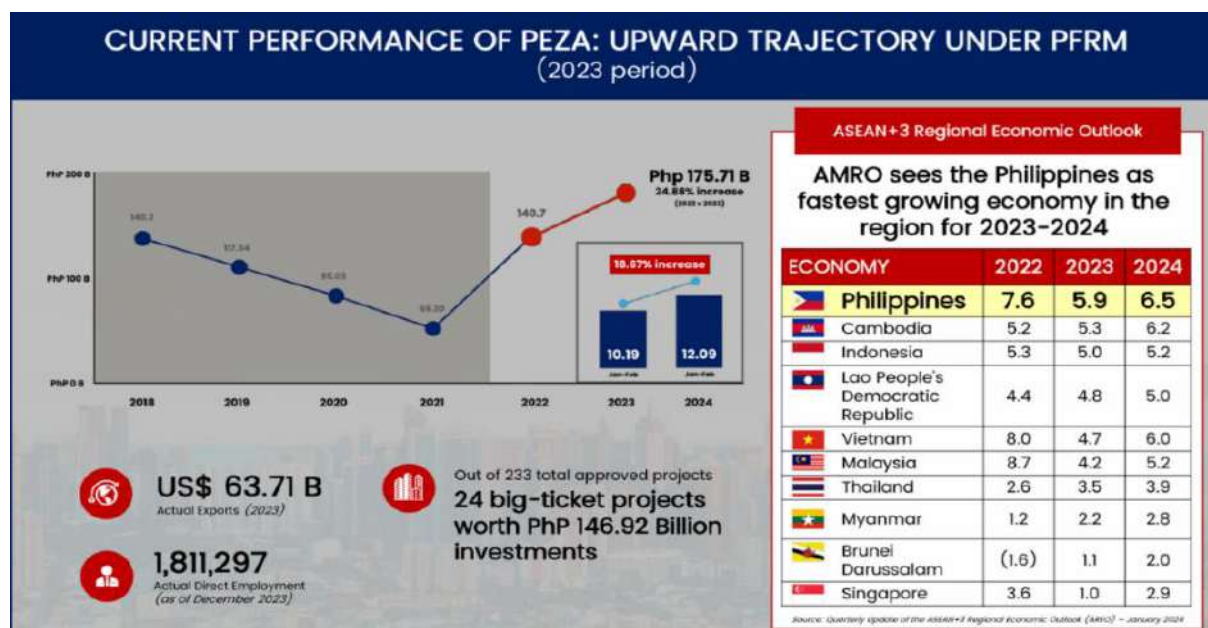


Figure 4.0- Performance of PEZA in 2023 period- Source: PEZA





1.2.3. HISTORY OF SEZs IN PNG

PNG had tried to develop concepts similar to SEZs over the last 30 years but had been unsuccessful.

The most notable experiences for PNG include:

A. Experience 1 - Industrial Centres Concept (ICC)

ICCC was developed similar to EPZ under the Industrial Centres Development Corporation (ICDC) to implement the National Government's policies on industrialization. The industrial centres concept was instituted by GoPNG to implement several national policies aimed at the industrial sector. These policies included the;

- i. *'White Paper on Industrial Development' (1984),*
- ii. *'Medium Term Industry and Trade Development Action Plan' (1991), and*
- iii. *'Beyond the Minerals Boom' (1993).*

The industrial centres concept targeted the manufacturing industry for exports to both the domestic and international markets and was operated under an incentive regime. The pioneer industrial centre was the establishment of Malahang Industrial Centre in 1993 in Lae, Morobe Province which however was unable to reach its desired status as an industrial processing zone. The other interest was the proposed Ulaveo Industrial Centre in Kokopo, East New Britain Province. Ulaveo was also unsuccessful.

Malahang and Ulaveo industrial centers faced numerous challenges, including governance issues, land disputes, insufficient infrastructure, and weak institutional framework in ICDC with lack of experience and technical expertise leading to limited success.

The similar concept was applied to the Konebada Petroleum Park as a specialized PP Zone just outside of Port Moresby City. Konebada Petroleum Park unfortunately did not eventuate because the State did not secure any gas from the PNG LNG Project under the 'Domestic Market Obligation'.





B. Experience 2 - The Free Trade Act 2000

The Free Trade Act 2000 was instituted to create FTZ in the economic regions of Gulf, Bougainville, West Sepik, and Western Province. The FTZ concept targeted the border and least developed provinces to pilot the concept. Unfortunately, this initiative also fell short due to the absence of a clear roadmap, inadequate policy implementation, and lack of investor confidence, hence, the Free Trade Act has since been repealed.

These historical setbacks highlighted the need for a more structured and comprehensive approach to SEZ development.

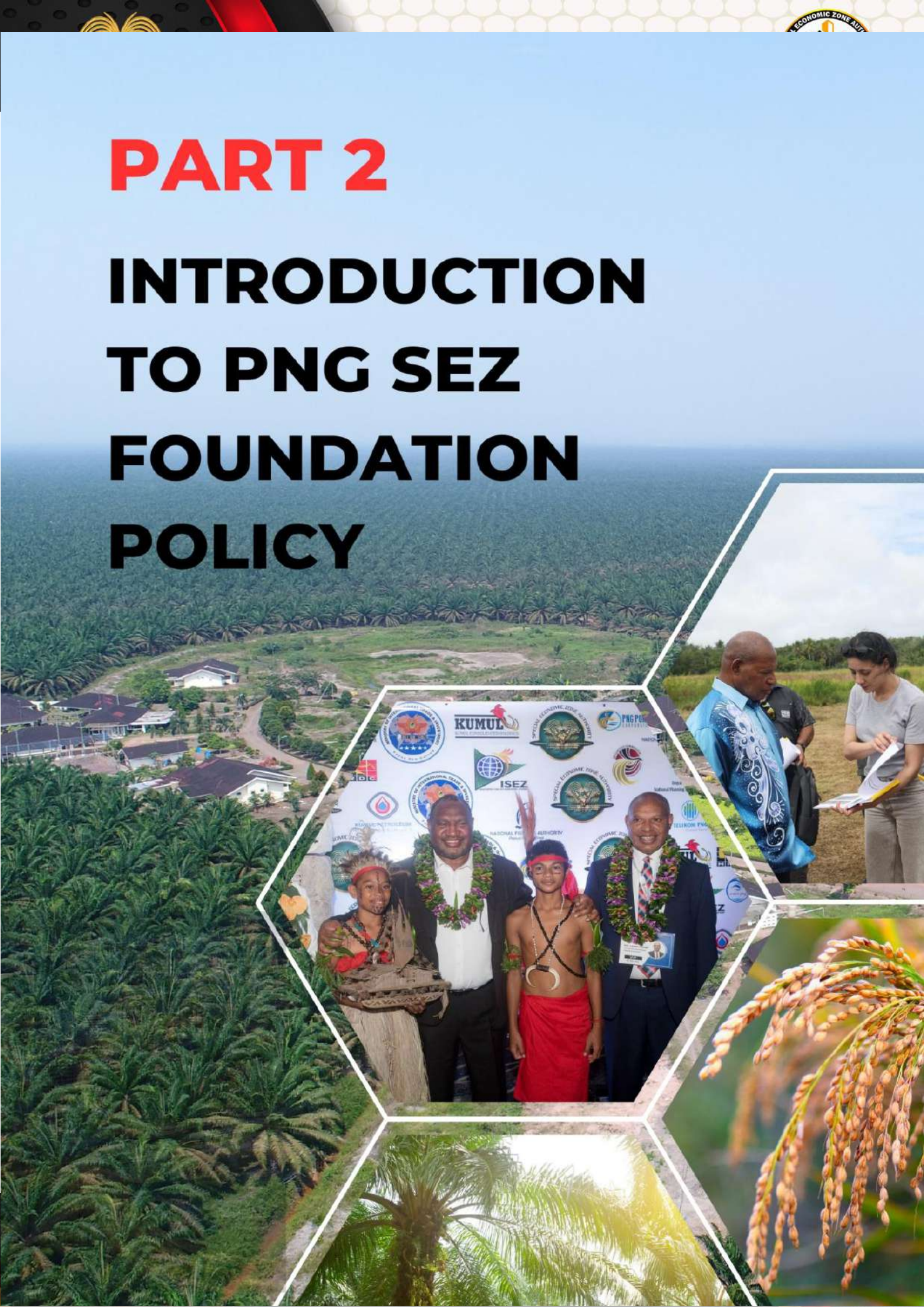
Despite PNG's notable failures, SEZ, as an important economic driver, has its footprint and hallmark of success embedded globally and within the neighboring ASEAN region. PNG has long recognized the potential of SEZs as powerful tools for economic transformation. Globally, SEZs have proven to be effective drivers of economic growth, particularly in emerging economies. These successes provide valuable lessons for PNG, informing the development of this policy to avoid past pitfalls and capitalize on global best practices.

This policy document builds on these lessons, integrating them with PNG's unique economic, social, and geographical context. It provides a clear framework for the development of SEZs that are aligned with PNG's broader national strategies, including Vision 2050 and the PNG Development Strategic Plan 2010-2030.



PART 2

INTRODUCTION TO PNG SEZ FOUNDATION POLICY





2.1. BACKGROUND

PNG has been independent since 1975. With a population growth rate of 4.8% per annum, the population had grown from 2 million at pre-independence to over 11 million post-independence (49 years on). The high population growth rate has exerted significant development challenges and pressure in the growth and development of the nation in under 50 years.

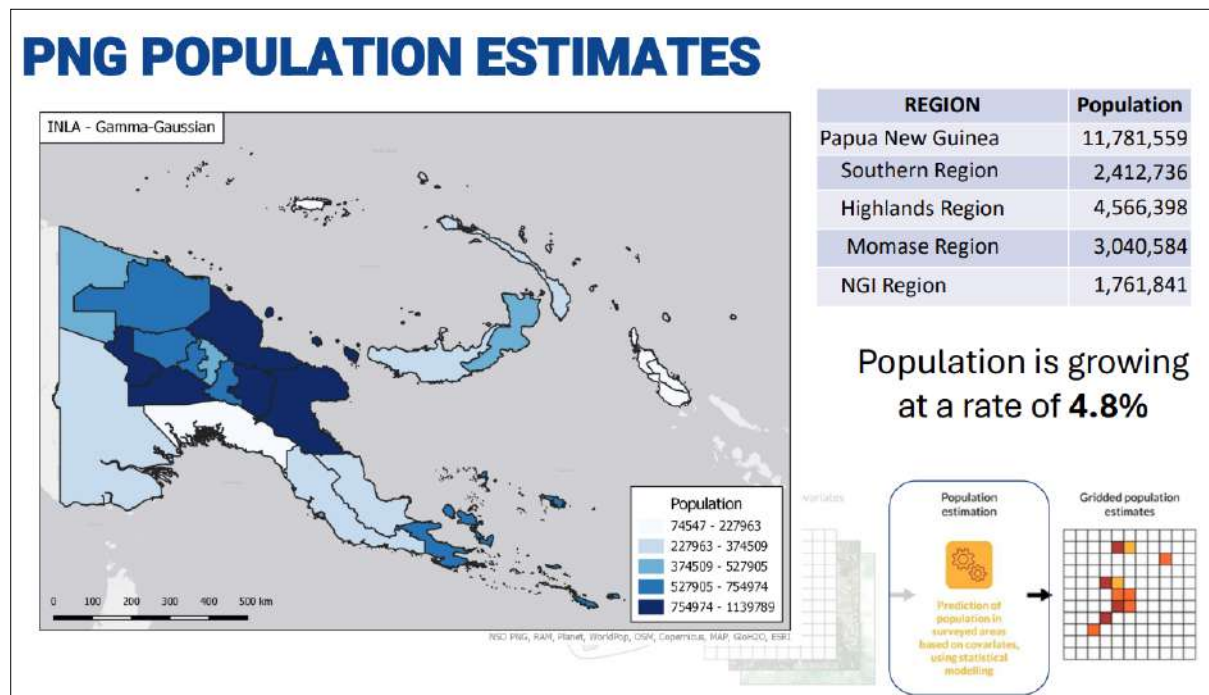


Figure 5.0- PNG Population Estimates- Source: Department of National Planning and Monitoring

PNG is one of the most ecologically diverse and resource-rich developing nation of the world. However, despite its abundance in natural resources and significant resource industries in mining, petroleum, forestry, fishery and agriculture, the nation faces significant development challenges including foreign exchange challenges, highest law-and-order issues, significant debt, highest unemployment rates, and highest cost of living among other pressing development issues.

The full economic potential of PNG has not been reached to sustain its development aspirations amid the ever-growing social demands and pressures due to lack of downstream processing, insignificant manufacturing, and industrial capacity since independence, resulting in less competitive exports on global scale and accordingly a trade deficit, hence, limiting the economic returns for PNG to realize its full potential as a resource-rich nation.



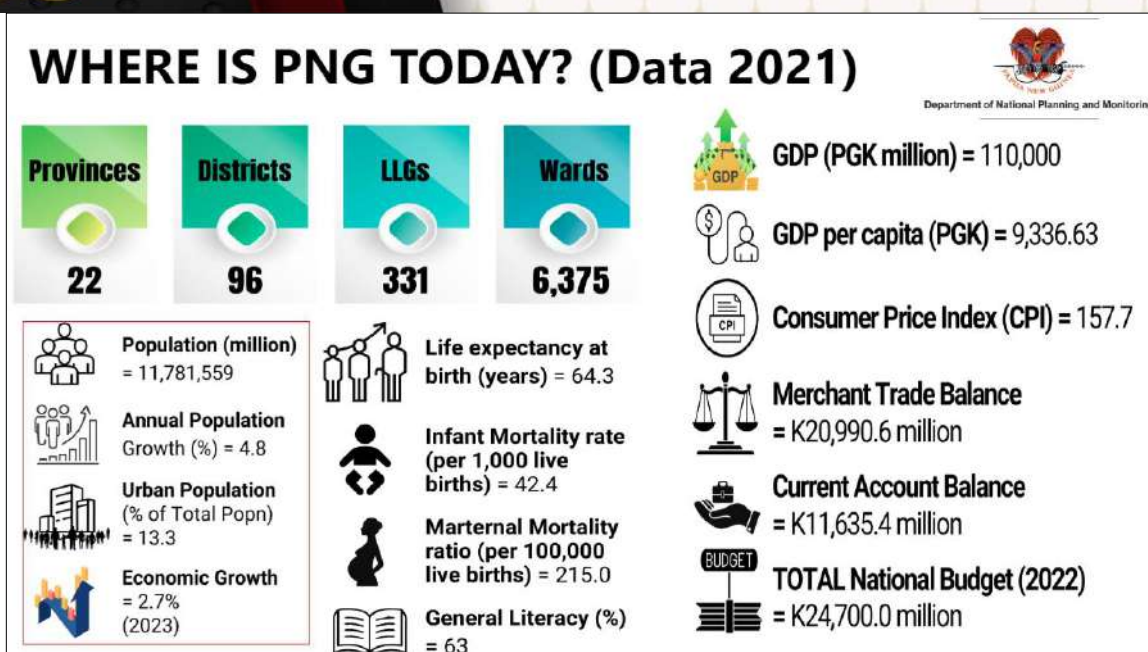


Figure 6.0- 2021 Data of where PNG is today- Source: Department of National Planning and Monitoring

GoPNG formally instituted the National Trade Policy in 2017 with the primary focus to balance trade, primarily increase exports, attract FDIs and provide the opportunity for employment of Papua New Guineans. In enhancing the National Trade Policy, GoPNG made the decision to formally institute the SEZs regime for PNG.

The 'Special Economic Zones Authority Act 2019' was passed in 2019 and SEZA was established in 2020. In 2022, the Marape-Rosso Government through the Ministry of International Trade and Investment (MITI) and SEZA initiated the exercise to develop the PNG Strategic Development Master Plan as the road map for SEZ development in PNG. The master plan was based on 22 sites selected by the GoPNG from the Economic Corridors as highlighted under the Papua New Guinea Development Strategic Plan (2010- 2030).

Complimentary to the SEZ Master Plan, the Foundation Policy was formulated, and the legislative review and amendment was made to the Special Economic Zones Authority Act 2019 to properly align the SEZDP for PNG.

SEZ offers PNG the opportunity to embrace the pathway that most developing countries took and implemented under a special regulatory framework to enhance the growth of the national economy, and accordingly translate this growth into improved social indicators and prosperity of the people.



2.2. FOCUS & BACKDROP OF THE PNG SEZ FOUNDATION POLICY

2.2.1. PRIMARY FOCUS

The primary focus of the Foundation Policy is twofold:

- i. Provide a starting point to initiate the SEZDP for PNG; and
- ii. Provide Government policy basis to guide the already instituted Special Economic Zones Authority Act 2019 (amended).

2.2.2. KEY POLICY AREAS

In achieving its primary focus, the Foundation Policy is framed around three (3) key policy areas, and these include:

- i. Defining SEZs;
- ii. Detailing the Regulatory and Governance Framework; and
- iii. Detailing the Implementation Framework.

Consistent with the primary focus, the 3 (three) key policy areas are purposely aligned to guide the institution and implementation of the SEZDP and to enable SEZs to attain and always retain investment and economic attractiveness of their being and operations.

2.2.3. BACKDROP

The Foundation Policy is developed for PNG against a backdrop of:

- i. Lack of in-country SEZ experience and expertise;
- ii. Unsuccessful attempts in developing similar concepts to SEZs;
- iii. Lack of a functional regulatory framework in both policy and legislation; and
- iv. Lack of fully functional institutional capacity of SEZA.

Given the backdrop, the Foundation Policy is developed to set the stage to formally institute the SEZDP and is aligned for periodic review and continuous refinement. This is part of the monitoring and evaluation strategy for policy improvement to develop a fully functional and internationally competitive and attractive SEZDP for PNG.

2.3. VISION OF THE PNG SEZ FOUNDATION POLICY





“To establish SEZs as the primary vehicle for economic growth and transformation in PNG, enabling sustainable development, significant job creation, and the elevation of PNG to a competitive, middle-income economy by 2032.”

This vision aligns with PNG’s national development goals, focusing on economic diversification, regional development, and the reduction of poverty and inequality.

Ultimately, SEZDP is to bridge the divides in the nation’s pathway towards economic independence by 2032 and create a smart, wise, fair, and happy society in 2050 and beyond.

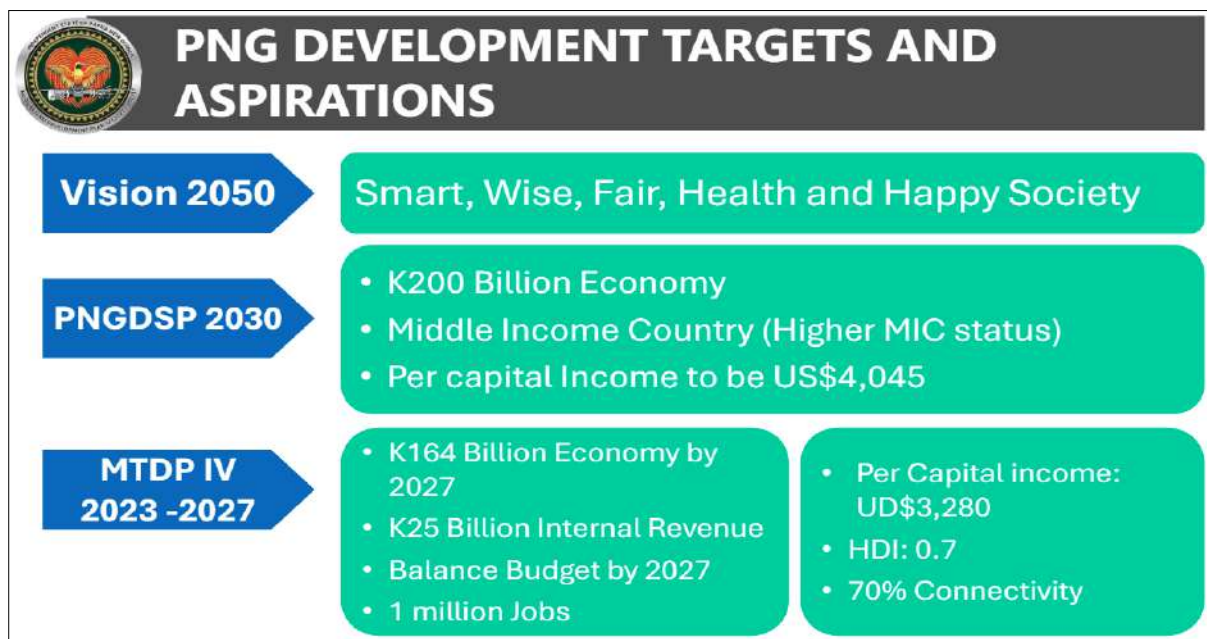


Figure 7.0- PNG Development Targets and Aspirations- Source: Department of National Planning and Monitoring

2.4. MISSION OF THE PNG SEZ FOUNDATION POLICY

“To implement a robust, transparent, and efficient framework for SEZ development that attracts domestic and foreign investments, fosters industrialization, creates new jobs, grows the GDP, and ensures that the economic benefits of SEZs are widely shared among all Papua New Guineans.”

The mission is to create an environment conducive to investment and innovation, where SEZs serve as hubs for industrial growth, export promotion, and job creation.

This approach aligns with the development objectives of the Medium-Term Development Plan IV (MTDP IV) for 2023-2027 as shown in [Figure 7.0](#), and key Government target as shown in [Figure 8.0](#).





CREATE 1 MILLION NEW JOBS BY 2027 (MTDP 4).

USE SPECIAL ECONOMIC ZONES AS OUR PRIMARY DRIVER OF INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH

SURPLUS BUDGET BY 2027

REACH K200 BILLION GDP BY 2030

REPLACE ALL FOOD IMPORTS AS SOON AS POSSIBLE (rice, dairy, chicken and other food imports we can grow locally)

DOWN STREAM PROCESS ALL RAW MATERIAL EXPORTS AS SOON AS POSSIBLE (including our copper and nickel).

DOWNSTREAM ALL ROUND LOG EXPORTS BY 2025

PROCESS ALL OUR FISH IN PNG (DOMESTICATION)

UNDERTAKE STUDIES TO HAVE FREE TRADE AGREEMENTS WITH CHINA AND INDONESIA

Figure 8.0- Key Government Targets to be Achieved Through SEZs.

2.5. PRIMARY GOALS OF THE PNG SEZ FOUNDATION POLICY

The primary goals of the SEZ Foundation Policy are:

- i. **Create Over One Million Jobs**
SEZs will serve as hubs of employment, providing diverse job opportunities across various sectors, from manufacturing to services.
- ii. **Double the National GDP**
By 2032, SEZs are expected to contribute significantly to the national GDP, with a focus on value-added industries and export growth.
- iii. **Attract Substantial Foreign Direct Investment (FDI)**
SEZs will offer an attractive investment environment with incentives, streamlined regulations, and world-class infrastructure to draw in both domestic and international investors.
- iv. **Promote Downstream Processing and Import Substitution**
SEZs will encourage local processing of raw materials, reducing reliance on imports and enhancing PNG's position as a value-added exporter.
- v. **Develop Critical Infrastructure and Services**
A key objective is to build the necessary infrastructure—roads, ports, utilities, and technology—to support SEZ operations and connect them to global markets.





- vi. Enhance National Competitiveness
SEZs will be designed to boost PNG's competitiveness in global markets, focusing on sectors where the country has comparative advantages, such as agriculture, fisheries, mining, and tourism.

Each of these goals are supported by specific, measurable objectives, with clear timelines and indicators of success.

These objectives are designed to ensure that SEZs contribute to broader national development outcomes, including poverty reduction, regional development, and increased foreign direct investment.

2.6. LINKAGES TO NATIONAL PRIORITIES

The SEZDP is an economic intervention program and is in direct support of the economic and development priorities enshrined in the main strategic development pathways of the nation listed below:

- i. National Constitution
- ii. Vision 2050
- iii. PNG Development Strategic Plan (2010- 2030)
- iv. National Trade Policy (2017- 2032)
- v. National Strategy Responsible for Sustainable Development
- vi. Connect PNG Development Program (2020- 2040)
- vii. Medium Term Development Plan IV (2023- 2027)
- viii. Public Private Partnership (Amendment) Act 2023
- ix. SME Policy 2016
- x. PNG National Content Policy for Resource Sectors 2023
- xi. Manufacturing Policy
- xii. Other Connectivity Programs, Plans and Strategies

Policy alignments to the above strategic development pathways are detailed in SCHEDULE IV.





PART 3

REGULATORY AND GOVERNANCE FRAMEWORK



3.1. INSTITUTIONAL FRAMEWORK

The governance of SEZs will be managed through a well-defined institutional structure, ensuring that all relevant stakeholders play their roles effectively and efficiently.

3.1.1. KEY INSTITUTIONS AND THEIR ROLES

A. Special Economic Zones Authority (SEZA)

- i. SEZA is the principal authority for SEZs, responsible for policy implementation, investor relations, land management, and compliance monitoring. SEZA will coordinate with other Government agencies to ensure that SEZs are developed and operated in line with national objectives.
- ii. SEZA is to be established as the 'Single State Implementation Agency' responsible for the SEZDP of PNG. To ensure a cohesive and efficient regulatory framework for SEZs in PNG, it is hereby proposed/designated that SEZA be established as the sole and exclusive regulator for all SEZs within the country.
- iii. SEZA shall be the only entity authorized to regulate, manage, and oversee all SEZ-related activities. Consequently, any existing regulatory bodies empowered by legislation other than that establishing SEZA, which have jurisdiction over SEZs, shall have their authority revoked. All such conflicting legislation shall be repealed forthwith, ensuring that SEZA remains the single point of regulatory authority for SEZs in PNG.
- iv. SEZA is to be instituted as part of the National Public Service. It is to be headed by a Chief Executive Officer (CEO) at the Headquarter with section heads and staff employed on merits.
- v. The NEC is to appoint the CEO, open to both local and foreign candidates, upon the approval of the SEZA Board and endorsement of Minister MITI.
- vi. Zonal Administrators (ZA) are to be appointed to oversee SEZ operations and compliance. ZA are to include Special Economic Region Authorities and they are to report directly to the CEO on all zone matters.
- vii. SEZA is to be member to regional and world SEZ forums or organizations to have access to regional and global cooperation programs to help improve its capacity.





a. Functions of SEZA

The key functions of SEZA are to be as follows:

- i. Regulate the establishment of SEZs in the country;
- ii. Regulate employment opportunities for citizens in SEZs;
- iii. Increase the supply of services lands for the establishment of SEZs either by acquiring land or approving such lands;
- iv. Promote the uniform and efficient development of multi-use SEZs;
- v. Encourage the private sector to participate in the development, operation and maintenance of SEZs, including the provision of infrastructure;
- vi. Coordinate with the private sector to train and improve the capacity of the citizen workforce, while ensuring the protection of workers' rights;
- vii. Develop a high-quality business climate in each SEZ that protects the environment, water supply, natural resources, biological diversity, labor resources, public health, and safety and welfare consistent with the relevant international conventions;
- viii. Coordinate with Competent Agencies Special Security Detailing regime to fully protect the zone and secure its activities, assets, workers, residence and visitors;
- ix. Provide 'Regulatory services' to address key aspects of Physical Planning Building, Licensing, Standards, Financial Services and Land Administration, Surveying and Valuation;
- x. Regulate cost of goods and services in the zones to ensure that the unit production cost is reasonable to be internationally competitive and attractive;
- xi. Advise Minister MITI on any matters on functions of the Authority; and
- xii. One-Stop-Shop Centre in all licensed SEZs for effective monitoring and control purposes.





b. Jurisdictions of SEZA

SEZA has direct jurisdiction over the administration of SEZs in PNG and this includes both domestic and international jurisdictions.

a) Domestic jurisdiction

- i. Domestic jurisdiction is for in-country SEZ development and recognizes the special economic zone as any delimited geographical area including a site within wards, Local Level Government areas, districts, provinces, regional (intra or inter), and multi-nodal or multi-site.
- ii. SEZ sites are to comprise identified delimited areas to be termed as 'Zones' and large open areas to be designated as 'Regions' or 'Economic Development Corridors'.
- iii. Domestic SEZs are to be approved and developed within the Economic Corridors as highlighted in Part Two Economic Corridor Concept, PNG Development Strategic Plan (2010- 2030).
- iv. Manus Province is regulated separately under 'Manus Special Economic Region Act 2022'. Unless the concerned Act is repealed or amended accordingly, Manus Province remains as not part of the Domestic Jurisdiction under SEZA but will be broadly covered under the provisions of this Foundation Policy for purposes of alignment and achievements of the overall goal of SEZ development in the country.



Figure 9.0- Domestic Jurisdiction of SEZA- Source: ontheworldmap





b) International Jurisdiction

- i. International jurisdiction is for cross-border SEZ development and recognizes the special economic zone as any delimited geographical area including a site that crosses the international border from PNG into neighboring countries and is purposely for cross-border trade. All Border Trade SEZs are to be Public SEZs, developed under the Government-to-Government SEZ arrangement as described in Sub-Section 3.3.2.B.d.
- ii. International Border SEZ are to be approved within the Border Corridor and as agreed to with concerned neighboring countries. These borders are to include both land and sea borders.

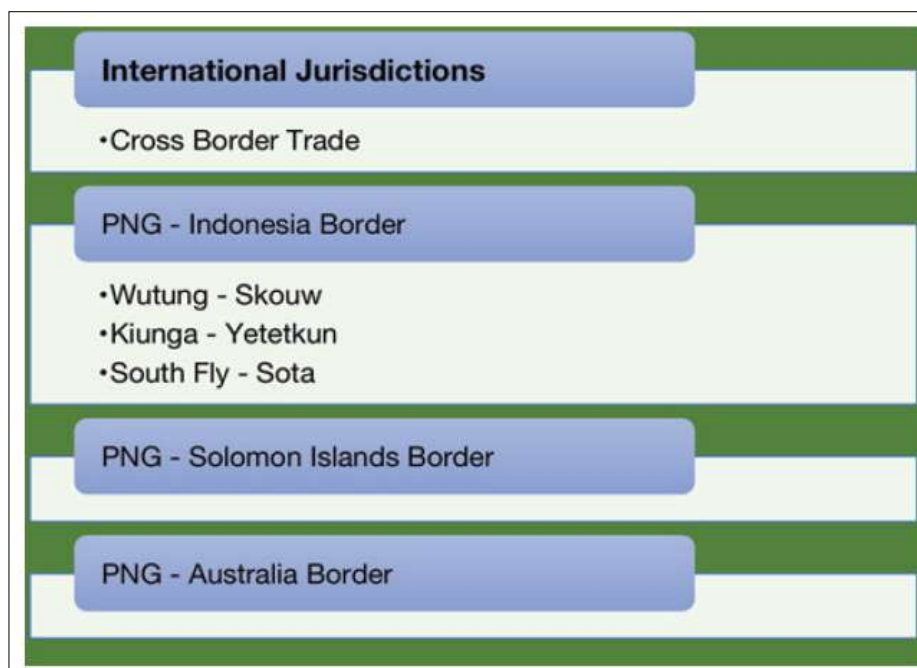


Figure 10.0- International Jurisdiction of SEZA.

B. SEZA Board

- i. SEZA Board is to be instituted to develop SEZ policies and oversee the affairs of SEZA and the implementation of plans and strategies of the SEZDP.
- ii. NEC upon the recommendation of an independent recruitment process and endorsement of Minister MITI is to approve the Chairman of the Board.
- iii. SEZA Board is to comprise a one-tier board structure and is to perform an integrated function both as the Board of Investment (BOI) and Board of Approval (BOA).





- iv. The BOI is to oversee the 'Market Access' and 'Investor Relations' regimes of the SEZDP as described in Sub-Section 4.3.4 and 4.3.5, and also ensure that ease of doing business is achieved through the One-Stop-Shop Service regime of the SEZDP as described in Sub-Section 4.6.
- v. The BOA is to approve and implement the compliance requirements of the license-based regime of the SEZ.

C. Subsidiary Company of SEZA

- i. SEZA should be empowered to invest, regulate, and license directly, removing the need for any external party to be established as business arm of SEZA. This would streamline operations, reduce bureaucracy, and quicken decision-making, leading to a more agile organization.
- ii. SEZA is to incorporate a subsidiary company under the Companies Act 1997.
- iii. The subsidiary company is to be incorporated as the business arm of SEZA to implement the business and commercial interests of SEZA including participating in SEZ investments to generate private revenue streams to finance the Special Economic Zone Investment Fund.
- iv. The subsidiary company is to be the Official State Nominee for participation in all Public, Private Public Private Partnership (PPP), and Government-to-Government SEZs of national interest.
- v. The subsidiary company is separate from other State entities permitted for participation as investors.
- vi. SEZA Board is to formally approve and recommend for the endorsement of Minister MITI the composition for Board of Directors to the Subsidiary Company.
- vii. SEZA can be considered a part of the National Public Service. However, if SEZA generates sufficient funding annually, it could be classified differently, as it would have the ability to self-funding.

a. Transition to Self-Funding Mechanism for SEZA

- i. SEZA may transition to a self-funded entity based on financial capacity to generate revenue.





- ii. SEZA will establish the necessary frameworks and revenue streams, including fees, levies, and other charges associated with the licensing, regulation, and facilitation of activities within SEZs to achieve status of self-funding.
- iii. SEZA shall rely on these self-generated funds to support its operations, thereby ensuring financial sustainability and operational independence while continuing to drive economic development in PNG.

b. SEZA's Commercial Operations

SEZA will be allowed to engage in commercial operations to raise its own funds. This may be carried out by SEZA's internal commercial arrangements or through a subsidiary company.

3.1.2. STAKEHOLDERS

A. Government Oversight, Coordination, and Support

- i. The Ministry of International Trade and Investment (MITI) is the Ministry responsible for SEZ matters and is to provide direct oversight to SEZA, SEZA Board, and all SEZ related matters.
- ii. MITI provides oversight to SEZA and coordinates with other ministries, such as finance, environment, and infrastructure, to align SEZ development with national economic strategies.
- iii. The Office of the Prime Minister is to provide direct support to MITI in developing the SEZDP as a strategic economic development program for PNG.

a. Intergovernmental Coordination

Successful SEZ development requires seamless coordination across multiple levels of Government, from national ministries to provincial and local authorities. This coordination ensures that SEZs are integrated with broader national and regional development plans.

b. Government Coordination Strategy

- i. Inter-Ministerial Committee on SEZs
SEZA will establish an Inter-Ministerial Committee that includes representatives from all relevant ministries, including trade, finance, infrastructure, environment, and labor. This committee will oversee the alignment of SEZ development with national policies and coordinate cross-ministerial efforts.





ii. Provincial and Local Government Roles

Provincial and local Governments will be responsible for integrating SEZs into regional development strategies, facilitating land acquisition, and supporting infrastructure development. SEZA will provide technical assistance and capacity building to these Governments to ensure effective implementation.

iii. Centralized Communication Platform

SEZA will develop a centralized digital platform for communication and coordination among Government agencies. This platform will track the progress of SEZ projects, share information, and ensure timely decision-making.

iv. Conflict Resolution Mechanisms

SEZA will establish clear protocols for resolving conflicts between different levels of Government or between Government agencies and SEZ developers. These mechanisms will ensure that disputes are resolved quickly and do not delay SEZ development.

Case Study 1:

Government Coordination in Malaysia's SEZs (Iskandar Malaysia)

Malaysia's success in developing SEZs, particularly in Iskandar Malaysia, is partly due to strong coordination between federal, state, and local Governments. The Iskandar Regional Development Authority (IRDA) played a crucial role in aligning Government efforts, securing investment, and overseeing the integrated development of the region. PNG's SEZA can adopt a similar model to enhance intergovernmental coordination.

B. Local Communities

- i. The success of SEZs in PNG depends heavily on the involvement and support of local communities, particularly those whose land and livelihoods may be affected by SEZ development.

- ii. Ensuring that communities are not only consulted but also actively involved in decision-making processes is crucial for avoiding conflicts and ensuring equitable development.

a. Community Engagement Strategy

i. Initial Consultations

Before any SEZ development begins, SEZA will conduct thorough consultations with local communities to explain the project, discuss potential impacts, and seek input on development plans.





ii. Community Benefits Agreements (CBAs)

These legally binding agreements will outline how the benefits of SEZs, such as employment, infrastructure, and social services, will be shared with local communities. CBAs will also address compensation for any negative impacts.

iii. Ongoing Dialogue and Participation

SEZA will establish community liaison offices in or near SEZ sites to facilitate ongoing dialogue, address concerns, and ensure continuous community participation in SEZ governance.

iv. Monitoring Community Impact

As part of the M&E framework, SEZA will monitor the impact of SEZs on local communities, with a focus on social and economic outcomes. Adjustments will be made to SEZ policies and operations based on community feedback.

Case Study:

Community Engagement in SEZs (South Africa's Dube TradePort SEZ)

The KwaZulu-Natal Dube TradePort SEZ in South Africa provides a model for effective community engagement. The SEZ's development included extensive consultations with local communities, the establishment of a community trust fund, and the integration of local businesses into the supply chain. This approach helped build local support and ensured that the benefits of the SEZ were broadly shared.

B. Private Sector

The private sector is a critical partner in the development and success of SEZs. Private investment drives industrial growth, innovation, and job creation, making it essential for SEZA to create an environment that is attractive to investors.

a. Private Sector Engagement Strategy

i. Incentives and Support

SEZA will offer a range of incentives to private investors, including tax breaks, duty exemptions, and streamlined regulatory processes. These incentives will be designed to attract investment in targeted sectors such as manufacturing, technology, and logistics.

ii. Public-Private Partnerships (PPPs)

SEZA will actively promote PPPs as a model for SEZ development, particularly in infrastructure projects. PPPs will leverage the expertise and resources of the





private sector while ensuring that the Government retains oversight and regulatory control.

iii. Investor Relations

SEZA will establish a dedicated Investor Relations Office (IRO) to support investors throughout the SEZ development process. The IRO will provide information, facilitate approvals, and assist with any challenges that arise.

iv. Regular Stakeholder Meetings

SEZA will organize regular forums and meetings with private sector stakeholders to discuss opportunities, challenges, and potential improvements to the SEZ framework.

Case Study 2:

Private Sector Success in India's SEZs (Gujarat SEZs)

India's SEZs, particularly those in Gujarat, have successfully attracted private sector investment through a combination of incentives, infrastructure development, and proactive Government support. These SEZs have become hubs for manufacturing, IT, and pharmaceuticals, driving significant economic growth. PNG can replicate this success by fostering a strong partnership between SEZA and the private sector.

3.2. LEGISLATIVE FRAMEWORK

PNG's legal framework for SEZs is compared with those of successful SEZs globally, particularly in countries like China and the UAE. For example, China's SEZ framework includes robust provisions for land use, investment incentives, and environmental protection, which have contributed to the success of SEZs like Shenzhen. PNG's framework incorporates similar provisions, adapted to the local context.

PNG's legislative framework is to comprise:

A. SPECIAL ECONOMIC ZONES AUTHORITY ACT 2019 (AMENDED)

- i. The legal foundation for SEZs in PNG is established through the Special Economic Zones Authority Act 2019 (amended). This Act provides the regulatory basis for SEZA to oversee and manage SEZ development. It also lays out the legal requirements for land acquisition, investment incentives, environmental compliance, and labor regulations.
- ii. Special Economic Zones Authority Act 2019 (amended) is the National Legislation for SEZDP. The Act has legal jurisdiction over all Provinces of PNG except Manus and those instituted under the Act.





- iii. SEZA is the central body responsible for the development, regulation, and management of SEZs. It has the authority to issue licenses, approve SEZ projects, and enforce compliance with relevant laws.

B. ONE-STOP-SHOP SERVICE ACT

- i. A One-Stop-Shop Service (OSS) Act is to be instituted to bind and align all Competent State Agencies to cooperate with SEZA with clearly defined roles and within a legal mandate to ensure that the OSS is implemented effectively to drive the success of the SEZs.
- ii. The OSS is to be aligned towards achieving the 'Single Window Clearance' (SWC) regime for the SEZDP to ease all regulatory and documentary requirements on much favorable terms to investors.
- iii. The OSS is to be aligned to make the SEZDP competitive and remain attractive for both domestic and international investors. This approach enhances the OSS process and offers additional comfort to investors.
- iv. This legislation streamlines processes for SEZ investors by providing a single point of contact for all regulatory approvals, reducing bureaucratic hurdles and facilitating faster project implementation.

C. SEZ LAND LEASE ACT

This Act provides the legal structure for acquiring, leasing, and utilizing land within SEZs, with specific provisions for customary land. It ensures that land acquisition processes are transparent, fair, and respectful of local land rights.

D. SPECIAL ECONOMIC ZONE REGULATION

Special Economic Zone Regulation is to be developed to guide the implementation of the Special Economic Zone Authority Act 2019 (amended).

E. INCENTIVE REGIME

Legal provisions for tax incentives, duty exemptions, and other financial benefits are included to attract investment into SEZs. These incentives are designed to make PNG's SEZs competitive on the global stage.

F. EASE OF DOING BUSINESS (EDB) PROTOCOLS





- i. EDB is to be instituted to streamline all players, including Competent State Agencies and indigenous businesses within an SEZ, and how they participate, operate, source fund, organize, and implement their respective functions and business plans in line with SEZA Act.
- ii. EDB is to be developed under the regulations of the OSS Service Act.

The SEZ policy is aligned with existing national strategies, such as Vision 2050, the National Trade Policy 2017-2032, and the PNG Development Strategic Plan 2010-2030. By integrating SEZ development with these broader frameworks, the policy ensures coherence and alignment with PNG's long-term development goals.

3.3. POLICY FRAMEWORK

SEZ is to be instituted and administered as an important policy tool to serve as a part of PNG's overall economic reform and growth strategy to:

- i. Enhance industry competitiveness;
- ii. Attract FDI;
- iii. Diversify exports while maintaining protective barriers;
- iv. Create jobs;
- v. Promote spatial industrial development priorities for PNG;
- vi. Pilot new policies and approaches in key areas of customs, taxation, legal, labor, and public private partnership;
- vii. Capture and emphasize more on local participation (investors); and
- viii. Promote industrialization through downstream processing and manufacturing activities.

3.3.1. GOVERNMENT PRIORITIZATION OF SEZS

The importance and relevance of SEZ as a strategic economic policy tool to drive the SEZDP is to be given prominence through the highest level of commitment and prioritization by the National Government to create the enabling environment for the SEZDP to thrive.

Government prioritization of SEZ as a strategic economic policy tool is to be demonstrated as such:

a. High Priority

Government is to ensure that SEZ is to be a high priority national economic development program with very strong Government support and resourcing, both financial and technical to drive the program in an effective and efficient manner.





b. Political Will

Government is to ensure that there is to be enough political will to institute necessary changes to existing investment policy environment to create a special enabling regime for the SEZDP to prosper.

c. Conducive Environment

Government is to ensure that business regulatory environment is to be truly credible from an international business perspective.

d. Internationally Competitive

Government is to ensure that SEZDP is to be internationally competitive and attractive within its enabling environment.

e. Systematic Approach

Government is to ensure that all processes and systems, including IT systems, are effective and advance to meet the modern SEZ requirements.

f. Eliminate Constraints

Government is to ensure that SEZDP is to be free from all counterproductive constraints of the national investment environment. SEZDP is to be operational by law, guided by the SEZ regulatory framework and free from undue political interference and public and private sector interests.

g. Functional Program

Government must ensure that SEZDP is to be administered effectively and under SEZA as the single national implementation agency, and the institutional and regulatory framework must always be fully functional.

3.3.2. POLICY GUIDANCE FOR ESTABLISHMENT OF THE SEZDP

Policy guidance for the establishment and alignment of the SEZDP includes the following key elements:

A. Appropriateness of SEZ intervention in PNG

SEZ presents the intervention to bridge the deficiencies in economic growth and greater development needs of the nation.

SEZ is a globally proven intervention in the economic growth strategy and consequential development of nations all over the world. The global success of SEZs is testament in neighboring developing countries in the ASEAN and greater Asian region including the economic powerhouse of China and India, the success of the





African region, and strategic transformations of the western world including Europe and the regions of America including the United States of America.

Translation of the global SEZ successes into PNG's development agenda would significantly enhance the economic growth strategy and consequential development of the nation through key outputs in:

- i. No Barrier to Investors (investor is king).
- ii. Non-Stop-Shop (red-carpet treatment to all investors)
- iii. Attracting FDI
- iv. Increasing Exports of Goods and Services
- v. Creating Employment
- vi. Development of Enabling Infrastructure and Service Utilities
- vii. Large-Scale Downstream Processing
- viii. Capital Raising
- ix. Sectoral Focus

B. Appropriate SEZ Models for PNG

The SEZ policy adopts a flexible approach, allowing for the development of various types of SEZs tailored to PNG's unique economic and geographic conditions.

Four (4) SEZ models compatible to international practice are adopted for the SEZDP. These four SEZ models are all relevant to the PNG setting and inclusive in participation for all relevant public and private sector entities including customary landowners.

For each SEZ model, the policy includes detailed implementation plans, covering aspects such as site selection, investor engagement, infrastructure development, and regulatory compliance. These plans are designed to ensure that each SEZ model is developed in a way that maximizes its potential to contribute to PNG's economic growth.

The four (4) SEZ models adapted for the SEZDP are:

a. Public Private Partnership (PPP) SEZ

- i. PPP SEZ is jointly developed by the Government and private sector, leveraging the strengths of both to build and manage SEZs efficiently.
- ii. It is established through the Public Private Partnership arrangement where Government and the Private Sector enter into an agreement to develop the SEZ with clearly defined roles and participation by each entity.





- iii. PPP arrangement is also inclusive of partnerships between nominated Government entities and customary landowners of approved development sites.
- iv. Concerned Government entities are to establish partnerships with credible private investment partners and enter into low-risk investment agreements to develop and operate proposed PPP SEZs.
- v. PPPs will be the key vehicle for SEZ development, with private sector partners taking on roles in infrastructure development, operations, and investment. SEZA will ensure that PPPs are structured in a way that balances the interests of both public and private stakeholders.

b. Private SEZ

- i. Private SEZ is developed and operated by private investors, either domestic or international, under SEZA's regulatory oversight.
- ii. Private sector owned SEZ is also inclusive of partnerships between private investors and customary landowners.

c. Public SEZ

- i. Public SEZs are developed and operated wholly by the Government, focusing on strategic sectors such as agriculture, energy, and heavy industry.
- ii. Private investors can locate into and operate as users or unit investors in the zone.

d. Government-to-Government SEZ

- i. Government-to-Government SEZs are to be developed jointly by the GoPNG and Government of Bilateral or Multi-lateral Partners, focusing on sectors such as trade, logistics, and technology.
- ii. State Owned Enterprises, State Corporations and City Municipalities can locate into and operate as users or unit investors in the zone.
- iii. Private investors can locate into and operate as users or unit investors in the zone.





- iv. Case Study 3:
Public-Private Partnerships in SEZ Development (India's Gujarat SEZs)

India's SEZs in Gujarat, such as the Mundra SEZ, are examples of successful PPPs that have attracted significant investment and generated thousands of jobs. These SEZs were developed through collaborations between the Government and private sector, with clear governance frameworks that ensured both parties' interests were aligned. PNG can adopt similar PPP models, with SEZA playing a crucial role in regulating and facilitating these

C. Categories of Participation in SEZs

Participation in the PNG SEZDP is in the category of 'Developer, Operator or User'. The category of participants is defined as follows:

a. **Developer**

The developer is the enterprise who is responsible for the planning, design, construction, and development of an SEZ pursuant to the Development Agreement that is executed with SEZA.

b. **Operator**

The operator is the enterprise that operates, maintains, and promotes an SEZ in accordance with an Operator Agreement that is executed with SEZA.

c. **User**

- i. The user also referred to as 'locator' or 'unit investor' is an enterprise who invests and operates approved economic activities inside an SEZ in accordance with the terms and conditions of the User License as issued by the SEZA.
- ii. Private Sector participation in the SEZ is open for all categories of participants with genuine investment interest from both domestic and foreign investors and includes both new and expansions of existing businesses in the domestic territory that re-organize under the SEZ setting.
- iii. Government participation as investor in SEZs is inclusive of PPP SEZ, Public SEZ and Government to Government SEZ as described in Subsection 3.3.2.B.





D. Special Features of the SEZ

- i. The zone must be 'Special'. The National Government must therefore create the enabling environment to ensure that SEZ is developed distinctively different from the rest of prevailing national environment.
- ii. Preferential treatment consistent with the provisions of the policy and legislation is to be accorded to SEZs to directly address the prevailing constraints to investment in PNG.
- iii. The focus of the Government in creating that special environment for the zone is to be centered around four (4) main areas and these are:

a. Infrastructure and Services

- i. Provision of high-quality enabling infrastructure is highly necessary in creating that special environment for investors.
- ii. Critical infrastructure is to include roads, sea and river ports and airports. Service utilities are also highly necessary and are to include electricity, water, sanitation, communication. These services are to be reliable and affordable.
- iii. All critical infrastructure and service utilities are to be provided by the Government up to the point of connection for the respective zones. Infrastructure and services must be able to effectively support all supply chains relevant to the zone.
- iv. On-site infrastructure and service utilities are the responsibilities of the developers and investors.

b. Business Regulatory Environment

- i. A simplified licensing and operating regime are to be instituted to incorporate the fee structure from globally renowned SEZs, tailored to the context of PNG to reduce compliance requirements, time, and costs.
- ii. A One-Stop-Shop (OSS) regime is to be instituted with effective cross-coordination between concerned Ministries and State Agencies. The OSS regime is ultimately to be advanced to a more efficient Single Window Clearance (SWC) regime.





- iii. An OSS Act is to be instituted to compliment coordination of Competent Agencies with SEZA to create the necessary favorable business regulatory environment.

c. Trade Policy Environment (as amended)

- i. The SEZ Policy is to be aligned with the overall National Trade Policy 2017-2032 framework.
- ii. Both policies must remain compatible, complimentary, and supportive to each other to ensure that a reciprocated successful outcome is derived from the enabling framework created by each policy regime towards the greater goal of fostering trade and growing the economy.

d. Investment Policy Environment and Fiscal Regime

An attractive investment policy environment is centered around tax incentives to attract investors. The tax incentives are to be guided by international practice but tailored specifically to PNG's development needs and priorities.

e. SEZ Fees Structure

Licensing Fees, annual renewal fees, administration fees, revocation fees, cancellation fees, suspension fees and other such fees will be fixed by the board through the responsible Minister from time to time.

3.4. GOVERNANCE FRAMEWORK

Effective governance is critical to the success of SEZs. The governance framework for SEZs will be guided by principles of transparency, accountability, efficiency, and inclusiveness.

The Governance framework include:

a. Transparency

All processes, from land acquisition to project approval, will be transparent, with clear documentation and public availability of information. SEZA will implement an online portal where stakeholders can access information on SEZ projects, regulations, and governance procedures.

b. Accountability

SEZA and other involved institutions will be held accountable for their performance, with regular audits, stakeholder reviews, and performance





reporting. An independent oversight body will be established to monitor SEZA's compliance with governance standards.

c. **Efficiency**

The governance framework will be designed to minimize delays and streamline procedures, ensuring that SEZ projects can proceed without unnecessary bureaucratic obstacles. SEZA will implement process improvement initiatives to enhance efficiency in project approvals and regulatory compliance.

d. **Inclusiveness**

The governance framework will ensure that all stakeholders, particularly local communities, are included in the decision-making process and that their interests are protected. SEZA will establish community liaison offices in or near SEZ sites to facilitate ongoing dialogue and participation.

Example of Successful Governance

The governance principles outlined in this policy are informed by successful SEZ governance models from other countries. For example, the governance framework of the Subic Bay Freeport Zone in the Philippines emphasizes transparency, efficiency, and stakeholder participation, which have been key to its success. PNG's governance framework incorporates similar principles, adapted





PART 4

IMPLEMENTATION FRAMEWORK



4.1. IMPLEMENTATION POLICY 1- SEZ LAND

Land acquisition is a critical component of SEZ development, especially in a country like PNG, where land ownership is complex and often involves customary land rights. The policy outlines a clear process for acquiring land, ensuring that it is done fairly and transparently, with respect for local communities.

Five (5) key policy interventions for SEZ Land are to be implemented by SEZA and these are to include:

4.1.1. SITE SELECTION

- i. SEZA, in coordination with MITI and the Department of Lands and Physical Planning, will identify potential SEZ sites based on economic potential, infrastructure availability, and environmental considerations.
- ii. Site identification and proposal for development are the responsibility of the project proponents. Based on the project proposal, full site selection is to comprise the following six (6) main processes:
 - a. Proposals by project proponent (Land, Rivers, Seas);
 - b. Deliberations and recommendations by SEZA;
 - c. Recommendation by SEZA Board to Minister MITI;
 - d. Minister MITI presents sites with recommendations including critical enablers to NEC;
 - e. NEC approval with national budget for implementation of critical enablers including infrastructure (On and Off-Site); and
 - f. SEZA implement NEC Decision and build critical enablers with competent State Agencies.
- iii. Site(s) for SEZ projects is to comprise land(s) which is to be inclusive of plains, valleys, mountains, rivers, lakes and seas within PNG borders and over which proposals for development are being made. These sites are to be located within SEZA's domestic and international jurisdictions.
- iv. SEZ seas is to comprise all seas within the boundaries of PNG and under PNG's sovereign jurisdiction as stipulated in Marine Zone Act 2015.
- v. **Inception of SEZ Development Program**

An initial twenty-four (24) SEZ sites were selected by the National Government for development as potential SEZ projects. The proposed sites are located along the Economic Corridors as stipulated in PNGDSP 2010- 2030.





The proposed SEZ sites largely to be developed by the Government under the Public, PPP, and Government to Government SEZ models.

The potential sites are shown in SCHEDULE I.

SEZA is to implement the recommended sites as the pilot SEZ projects only if proposed projects meet the requirements for application and license.

SEZA has already issued license to Paga Hill Development Estate. Other projects that are currently going through negotiation phase are:

- a. Sea Park Development Project – Port Moresby
 - b. Cocoland Sugar Project – Abau, Central
 - c. Finschhafen Cement, Port and Hydro Project – Finschhafen, Morobe
 - d. Used Lead-Acid Battery Recycling Plant Project – Port Moresby
 - e. Madang Integrated SEZ- Madang
 - f. Central Province Industrial Park- Central
 - g. Rai Coast SEZ – Madang
 - h. Sepik Plains SEZ- East and West Sepik
- vi. **Other Site Selection**
- All other sites proposed by SEZ project proponents are to be assessed based on their proposals and Private SEZ developments are to be targeted. Selection is to be guided by their compliance to the SEZ policy, legislation, and regulation.

4.1.2. CONSULTATION WITH LANDOWNERS

Early and continuous engagement with landowners, particularly those holding customary land, is essential. SEZA will facilitate discussions with landowners to explain the benefits of SEZs, address concerns, and negotiate land use agreements.

4.1.3. LAND MOBILIZATION PROGRAM

- i. SEZA is to institutionalize and administer the Land Mobilization Program (LMP) to free up identified and potential sites for the purpose of developing SEZs. This program will include land awareness campaigns, legal support for landowners, and compensation packaged.
- ii. The LMP is to be developed and implemented in cooperation with:
 - a. Department of Lands and Physical Planning; and
 - b. Land Commission of Papua New Guinea as the Competent State Agencies responsible for land matters.





- iii. SEZA is to institute and administer the LMP on identified lands to free up all potential State, Private and Customary Lands for the purpose of SEZs. The LMP is also to make available lands acquired for public purposes and this is to include the right-of-way for off-site infrastructure and service utilities to connect to the SEZ project site(s).
- iv. The LMP is to be conducted on key factors to SEZ development including the least of:
 - a. Importance of land;
 - b. Potential of concerned land to proposed development;
 - c. Participation and Benefits of land title holders, landowners, and project proponents; and
 - d. State, Private, and Customary Land Leases.
- v. The awareness program is to be instituted as a prerequisite to the land acquisition process and where necessary is to be a consultative process between key stakeholders including land title holders, customary landowners, and project proponents.

4.1.4. LAND ACQUISITION

- i. Land acquisition is the primary responsibility of SEZA. SEZA will oversee the formal acquisition process, ensuring that all legal requirements are met and that landowners receive fair compensation.
- ii. SEZ is a national economic program so all lands Gazetted by Minister MITI for SEZ purpose are to be acquired formally by the State through SEZA for public purpose.
- iii. Land Acquisition for public purpose is to comprise:
 - a. The SEZ Site; and
 - b. Right-of-Way for off-site infrastructure and service utilities to SEZ site.
- iv. The mode of acquisition is to be assessed by SEZA and recommended by SEZA Board to Minister MITI for approval. Minister MITI is then to advise NEC accordingly especially on acquisition of the land for public purpose.
- v. The acquisition of land is to be consistent with the provisions of Land Act 1996.
- vi. Dispute resolution mechanisms will be in place to address any conflicts.





4.1.4.1 Types of Land Acquisition for SEZ Purpose

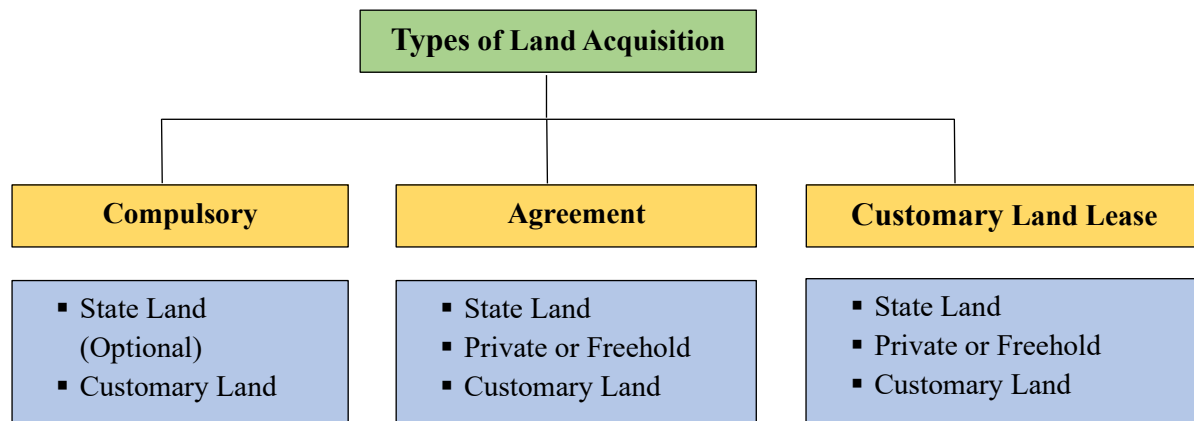


Figure 11.0- Summary of Types of Land Acquisition.

4.1.5. SEZ LEASE

- i. SEZ is to be developed under the 'Special Economic Zone Lease' (SEZ Lease) regime as the State Lease exclusive for SEZ purposes.
- ii. Once land is acquired, SEZA will issue SEZ leases to developers, ensuring long-term security of land tenure with a standard 99-year lease term that is extendable.
- iii. The SEZ Lease is to be instituted and administered by SEZA with long-term security of land tenure with 99-Year lease term that is extendable.
- iv. The institution and implementation of the SEZ Lease is to be coordinated directly between SEZA, Department of Lands and Physical Planning, Land Commission of Papua New Guinea, and the respective Ministries of MITI and Lands and Physical Planning.
- v. SEZ leases are not for sale and cannot be transferred without SEZA's approval.
- vi. Institution and implementation of SEZ lease for land acquired by SEZ project proponents are to be as follows:
 - a. SEZ lease is to be granted only upon compliance to the requirements of SEZA as stipulated in the Policy, Legislation, and Regulations;
 - b. SEZ lease regime is to be instituted with its key elements of Physical Planning, Registered Surveys, SEZ Lease, SEZ Title (Land, Underwater);





- c. SEZA is to approve SEZ Physical Plans under its Physical Planning Regulatory Committee;
 - d. New lands for SEZ purpose are to be acquired under SEZ lease;
 - e. Existing State leases over approved SEZ sites are to be converted to State SEZ Leases;
 - f. The project proponents are to hold all SEZ leases and sub-lease allocated sub-divisions to investors for approved SEZ projects;
 - g. Sub-leases are to be awarded based on development phasing plans;
 - h. SEZ leases are not for sale and cannot be transferred without SEZA's approval; and
 - i. All SEZ sub-leases that are forfeited are to be surrendered to SEZA.
- vii. Three (3) SEZ leases are to be awarded and these are to include:

A. State Land

- i. Acquisition of State Land for SEZ is to be implemented by:
 - a. Compulsory Acquisition; and
 - b. Agreement.
- ii. Subject to the concurrence of the concerned private proponents or investors, acquisition by agreement is to be pursued only for Private and PPP SEZ models.
- iii. Compulsory acquisition is to be exercised for Public SEZs including Border Trade SEZs, and right of way for public infrastructure and service utilities.
- iv. Formal acquisition by agreement is to be conducted on terms agreed to between SEZA and the concerned Land Title or Lease Holder and concerned private investor(s) where commercial arrangements are being proposed by the Land Title or Lease Holder.
- v. Formal compulsory acquisition is to be coordinated between Minister MITI with Minister Lands and Physical Planning through Ministerial determination and grant.





- vi. Status of all State lands are to be verified by SEZA with DLPP and the Land Commission of Papua New Guinea before acquisition. All State leases that have defaulted in meeting their original lease conditions are to be surrendered in full back to the State before acquisition by project proponents for SEZ leases.

B. Customary Land

- i. Acquisition of Customary Lands for SEZ is to be implemented by:
 - a. Compulsory Acquisition;
 - b. Agreement; and
 - c. Customary Land Lease.
- ii. Customary Land Lease acquisition is to be exercised for all SEZ models except Public SEZ for Border Trade and associated border developments.
- iii. Customary Land Lease is to be for 99-Year lease and arrangements including lease entitlements for customary landowners are to be administered directly by SEZA.
- iv. Compulsory acquisition is to be exercised for:
 - a. Border Trade SEZ and associated border development; and
 - b. Right-of-Way for public infrastructure and service utilities to SEZ sites.
- v. All necessary compensation to customary landowners is to be settled consistent with the Land Act 1996.
- vi. Formal compulsory acquisition is to be coordinated between SEZA, DLPP and Land Commission of Papua New Guinea and implemented between Minister MITI with Minister Lands and Physical Planning through ministerial determination and grant.

C. Freehold or Private Land

- i. Acquisition of Freehold or Private Lands for SEZ is to be implemented by Agreement.
- ii. Formal acquisition by agreement is to be conducted on terms agreed to between SEZA and the concerned Land Title or Lease Holder, and where necessary, concerned investor(s), private or the State as the case may be, and where commercial arrangements are being proposed by the Land Title or Lease Holder.





Case Study 4:

Land Acquisition in the Shenzhen SEZ, China

Shenzhen's success as an SEZ was partly due to the Chinese Government's ability to acquire land efficiently while ensuring that displaced landowners were adequately compensated. The Chinese Government implemented a comprehensive compensation package that included financial compensation, relocation assistance, and opportunities for displaced individuals to participate in the SEZ's economic activities. PNG can draw lessons from this approach, particularly in the areas of compensation and stakeholder engagement.

4.2. IMPLEMENTATION POLICY 2- EVALUATION, CRITERIA OF APPLICATION, AND LICENSING

Pertaining to the establishment and criteria for application and licensing of SEZs, SEZA is to implement four (4) key areas:

4.2.1. EVALUATION OF SEZS

- i. SEZA is to institute the final administrative determination process called 'Final Determination' (FD) to establish SEZ projects. The FD is to be inclusive of SEZ project sites and right-of-way including enabling infrastructure and service and utility routes to SEZ sites.
- ii. The FD is to be made conditional to the following requirements:
 - a. Site Selection and land acquisition is completed;
 - b. SEZA has completed its evaluation and assessment;
 - c. Compliance to SEZ evaluation criteria;
 - d. Approval by SEZA Board;
 - e. Endorsement by Minister MITI; and
 - f. Publication of Notice of Objection in the Gazette by Minister MITI.
- iii. Final Determination is to be made within two (2) months of the date specified in the Gazette for Notice of Objection.

4.2.2. EVALUATION CRITERIA FOR SEZ PROPOSAL

- i. SEZA is to institute and administer the Evaluation Criteria for approval of SEZ proposals. As a minimum, the SEZ evaluation criteria of an SEZ proposal is to comprise the requirements listed in SCHEDULE II.





- ii. Where State approval is required, SEZA is to cooperate with DITI to conduct due diligence on proposals, and approval from NEC through Minister MITI is to be sought before SEZA implements its independent review and approval to satisfy the requirements for SEZ application and licensing.

4.2.3. SEZ LICENSE APPLICATION AND REQUIREMENTS FOR ELIGIBLE APPLICANTS

- i. SEZA is to institute and administer the requirements for license application and eligibility of applicants.
- ii. Two (2) classes of licenses are to be issued under the SEZ license regime, and they are:

A. Provisional License

- i. Granted upon meeting minimum provisional license criteria as approved by SEZA.
- ii. Granted only to progress full license application process and not for commencement of SEZ site development works.

B. Full License

- i. Granted upon meeting minimum full license criteria as approved by SEZA.
- ii. Granted for commencement of development works over the site. Developer, Operator and User Licenses are to be granted as Full Licenses by SEZA.
- iii. Applicant for an SEZ license is to be:
 - a) A Sole Enterprise;
 - b) A Joint Venture;
 - c) A Consortium of Two or More Enterprises, and
 - d) Permitted State Entities
- iv. If an Applicant is a consortium:
 - a) The lead enterprise organizing the consortium is to be the applicant; and
 - b) Grant of the license is to be awarded to the lead enterprise.
- v. If an Applicant is a joint venture:
 - a) The joint venture company is to be the applicant; and
 - b) Grant of the license is to be awarded to the joint venture company.





- vi. No natural person is to be allowed to apply for an SEZ license.
- vii. No SEZ licenses or incentives for tobacco, alcohol, or other harmful or non-strategic sectors.
- viii. SEZA is to conduct due diligence and assessment on the following:

a) Provisional Licence - Technical Proposal

1	Land acquisition is in progress (Land investigation by DLPP)
2	Pre-feasibility study is completed
3	Conceptual design and master plan
4	Consultants
5	Contractors and sub-contractors
6	Implementation schedule for mobilization phase(s)
7	Mobilization works in progress and status report(s)
8	Assessment and audit by SEZA on mobilization works

Table 1.0- Items to be assessed for Provisional License- Technical Proposal.

b) Provisional Licence - Finance Proposal

1	Mobilization funding source including security checks on private investor or legitimacy of Government support
2	Availability and accessibility of funds
3	Conditions of fund accessibility
4	Investment of finance plan for mobilization phase(s)
5	Acquittal for project mobilization phase(s)
6	Implementation schedule for mobilization phase(s)
7	Assessment and audit by SEZA on acquittal(s)

Table 2.0- Items to be assessed for Provisional License- Finance Proposal.

c) Full Licence - Technical Proposal

1	Land acquisition completed and SEZ Lease obtained
2	Feasibility Study completed including commercial security and market access
3	Preliminary design and master plan
4	Consultants
5	Contractors and sub-contractors
6	Implementation schedule for development phase(s)
7	Implementation schedule is to match financial plan





Table 3.0- Items to be assessed for Full License- Technical Proposal.

d) Full Licence - Finance Proposal

1	Verifiable full investment funding source with financial instruments
2	Availability and accessibility of funds
3	Conditions of fund accessibility
4	Investment of finance plan for development phase(s)
5	Investment or finance plan for operational phase
6	On-site or on-shore holding of funds in currency of choice

Table 4.0- Items to be assessed for Full License- Finance Proposal.

4.2.4. SEZ LICENSE

SEZA is to institute and administer a 'License - Based' (LB) regime for implementation of SEZ. The LB regime is to comprise key elements of:

a. Application

Application for License(s) is to be made in the manner and on the forms as prescribed by SEZA and is to include all requirements of the application and applicant

b. Selection based on 'International Selection Process' (ISP)

SEZA is to institute and administer the 'International Selection Process' (ISP) for the evaluation, assessment and selection of applicant for award of license.

c. Final Determination for 'Award' or 'Refusal' of License(s)

Final Determination is to be made after completion of the ISP for 'Award of License' or 'Refusal of Grant'.

d. Publication of Final Determination in the Gazette

The Final Determination that sets out the SEZ License is to be published by Minister MITI in the Gazette with all details and particulars of the license and SEZ activity. Both the Provisional and Full License are to be gazetted.

e. License

- i. The License Based (LB) regime is to comprise Provisional and Full License.
- ii. Provisional Class is only one (1) Type and is a Standard License.





iii. Full License Class is to comprise three (3) distinct license types for the eligible participants:

- a) Developer License;
- b) Operator License; and
- c) User License

f. License Conditions

i. All License types are to be issued with their respective 'License Conditions' for the adherence and compliance of licensees. License conditions are to be set out by SEZA based on:

- a) Type of SEZ;
- b) Size and extent of development;
- c) Technical Proposal including implementation or work program;
- d) Financial Proposal including investment or financing plan; and
- e) Requirements as imposed by SEZA.

ii. Default by licenses on meeting their license conditions would constitute a breach of license conditions. SEZA is to impose warning, penalties and ultimately revocation of licenses to address the breaches. All revocations are to be published in the gazette by Minister MITI.

iii. Variation(s) to license conditions is to be vetted and agreed to between SEZA and licensee(s) and variations are to be incorporated into the originally agreed and issued license conditions.

g. Agreement

SEZA is to institute and administer the 'SEZ Agreement' regime for Implementation of SEZs. Upon issue of the license, SEZA is to enter into the following agreements with the relevant licensees:

- i. Provisional Class is only one (1) type, conditions on case basis; and
- ii. Full Class, 3 types (Developer, Operator, and User License Conditions), conditions on case basis.

h. Rights and Obligations

i. SEZA is to institute and administer the 'Rights and Obligations' regime for the Developer, Operator and User.





- ii. A Rights regime is to be instituted to protect the interest of the investor, developer, operator, and user.
- iii. An Obligation Regime is to be instituted to ensure that the investor implements the SEZ proposal to the requirements of SEZA Act 2019 (amended), SEZ Regulations and SEZ Policy.
- iv. The rights and obligations are to be developed as a detailed expansion of the license conditions. Comprehensive detail of rights and obligation are to be detailed in the SEZA Act 2019 (amended).

Inclusion of Papua New Guineans on the development of SEZs in PNG

As a condition of the SEZ license, all approved SEZ operators are required to be listed on the Port Moresby Stock Exchange and to initiate an Initial Public Offering (IPO) within a stipulated timeframe. This requirement is designed to address the critical issue of capital availability while also creating wealth and investment opportunities for Papua New Guineans. By enabling local participation in SEZ enterprises through equity investment, this provision aims to foster broader economic empowerment and ensure that the benefits of SEZs are shared with the citizens of PNG.

4.2.5. LICENSING AND REGULATORY PROVISIONS

i. Annual License Fees and Renewal

All SEZ license holders shall remit an annual license renewal fee to the SEZ Authority. An SEZ Developer (Principal Investor) License shall carry a fee of K300,000 per year, and an SEZ Enterprise (Locator/User) License a fee of K100,000 per year.

These fees are due and payable within three (3) months of the start of each calendar year. Failure to pay the required renewal fee within the prescribed timeframe shall constitute a breach of license conditions and may result in suspension or termination of the SEZ license.

ii. License Term and Termination for Non-Compliance

SEZ licenses are subject to periodic renewal upon fee payment and compliance review. SEZA may suspend or revoke a license if the licensee fails to meet its obligations, including payment of fees, development milestones, or compliance with regulations.





Persistent non-compliance or failure to remedy breaches after due notice shall result in termination of the license and forfeiture of any incentives or privileges granted under it.

iii. **Regulatory Contract as Condition of License**

Each SEZ license shall be issued concurrently with a Regulatory Contract Agreement between the SEZ Authority and the licensee (Developer or Operator). This agreement shall outline all terms, conditions, performance benchmarks, and obligations of the licensee, effectively serving as a binding developer-operator contract. Compliance with the Regulatory Contract is a condition of the license, and failure to uphold its provisions shall be deemed a license breach.

iv. **Interim Licensing (Provisional License)**

SEZA may, at its discretion, issue an Interim SEZ License to a proponent of a new SEZ project prior to the issuance of a full SEZ license. An interim license allows the proponent to undertake preliminary activities under defined conditions. Conditions and fees for interim licenses shall be set by the SEZA through regulations and may differ for urban versus rural proposals.

4.2.6. **EXISTENCE OF SEZS RELATIVE TO OTHER LICENSES, LEASES, OR PERMIT REGIMES**

- i. SEZ is to be developed and operated independently under the SEZ regulatory framework with its own lease and license regimes. All activities developed within the SEZ are exclusively SEZ activities and are subject only and fully to the regulatory requirements of SEZA.
- ii. Related activities with products or services that are developed in another lease, license or permit regimes in the domestic territory are allowed for further development and advancement in the SEZ but this is subject to;
 - a. Related products or services having exited their original lease, license or permit jurisdictions in the domestic territory; or
 - b. Stakeholder agreement between SEZA and other concerned License and Regulatory Authorities for the proposed SEZ activity to be developed within but outside the main commercial production area of the other lease, license or permit regime; or





- c. Closure, expiry or cessation of the other license, lease or permit regimes for the related activities.
- iii. Industries with related activities that are allowed for downstream processing and value-added activities within the SEZ setting include the least of oil & gas (petroleum), mining, forestry, agriculture, livestock, fishery, and energy.
- iv. Products or services that are developed in the SEZ cease to be under SEZ jurisdiction when they exit the SEZ and enter the domestic territory or international market destinations.

4.3. IMPLEMENTATION POLICY 3- CRITICAL ENABLERS FOR SEZS

Six (6) critical enablers for the successful implementation of SEZs are to be formally instituted by SEZA under the SEZDP.

These critical enablers are to include:

4.3.1. LAND

‘SEZ Land Lease’ (SLL) is to be formally acquired as described in Subsection 5.1 between SEZA and Department of Lands & Physical Planning and Papua New Guinea Land Commission as Competent State Agencies.

4.3.2. INFRASTRUCTURE

SEZA is to institute and administer the ‘Infrastructure Development Plan’ (IDP) for implementation of the SEZDP. The IDP is to be prioritized and developed in accordance with the development planning as instituted by SEZA.

The IDP is to be inclusive of the relevant international standards and best practice to govern infrastructure and service utilities work so they are planned, designed and constructed to be of:

- a. High Quality;
- b. High Durability and Reliability to Support the Zone Operations;
- c. Green and SMART Design; and
- d. Natural Disaster and Climate Change Resilient.

SEZA to Institute Infrastructure Development Plan (IDP)	
Infrastructure 1. Roads	Service Utilities





2. Provincial and National Highways
3. International Highways
4. Deep Water Ports
5. River Ports and Jetties
6. Airports and Airstrips

1. Energy
2. Communication
3. Water Supply
4. Sewerage System

Develop IDP with relevant Competent State Agencies

- iii. Critical infrastructure, both on-site and off-site, are to be durable and reliable to support zone requirements and are to include those described in Table 5.0.
- iv. Service utilities as described in Table 5.0 are highly necessary and are to be incorporated into the IDP and must be reliable and affordable.
- v. IDP is to be developed in direct cooperation with the relevant National Government Departments, State Agencies, State Owned Enterprises, State Corporations, and International Development Partners.
- vi. On-site infrastructure and service utilities are the responsibility of the developer or investor. These infrastructures are to be developed in accordance with the SEZ project proposal, master plan, design and documentation, governing infrastructure and service standards, developer's license, and associated license conditions.
- vii. All off-site infrastructure is the primary responsibility of the National Government and is to be developed up to the connection point(s) for the onsite infrastructure. Infrastructure and services must be reliable, affordable, and able to effectively support all supply chains necessary in supporting the approved activities in the zones.
- viii. The National Government is to support SEZA directly with budgetary and technical resourcing to implement the IDP.

a) Critical Infrastructure Needs

i. Transportation Networks

Roads, ports, and airports are essential for connecting SEZs to domestic and international markets. SEZA will work with the Department of Transport to prioritize infrastructure projects that support SEZ development.

ii. Utilities and Services

Reliable access to electricity, water, sanitation, and telecommunications





is crucial for SEZ operations. SEZA will coordinate with state-owned enterprises and private providers to ensure these services are available at competitive rates.

iii. Technology and Innovation

Modern SEZs require cutting-edge technology infrastructure, including data centers, broadband internet, and smart city solutions. SEZA will promote the integration of technology in SEZ planning and development.

b) Phased Infrastructure Development

i. Phase 1

Focus on core infrastructure, including transportation networks and basic utilities. This phase will prioritize SEZs with immediate economic potential.

ii. Phase 2

Expand infrastructure to support additional SEZs, including advanced technology and innovation hubs.

iii. Phase 3

Ensure all SEZs have world-class infrastructure, enabling them to compete globally. This phase will include the development of specialized facilities such as research and development centers, logistics hubs, and green energy solutions.

Case Study 6: Infrastructure Development in China's SEZs (Shenzhen)

China's SEZs, particularly Shenzhen, illustrate the importance of robust infrastructure in SEZ success. Shenzhen's rapid growth was driven by significant Government investment in transportation, utilities, and technology infrastructure, transforming it from a small fishing village into a global tech hub. PNG's SEZs can follow a similar path by prioritizing infrastructure investments that support industrial growth and connectivity.

4.3.3. SECURITY

- i. SEZA is to institute and administer the 'Special Security Detailing' (SSD) regime for SEZA as the Authority and for SEZs within the approved zones, economic corridor, and at the international borders. The SSD regime is to address key issues of:

a. Law and order problems:

- a) within the zones;
- b) within the buffer zone to the SEZ site;





- c) from spillover from domestic territory into the zones;
- d) along the right of way of the enabling infrastructure and service utilities leading to the zones, and
- e) along right of way to the outlets for export to the domestic territory or international markets.

b. Transnational Crimes including:

- a) organized crime;
- b) money laundering;
- c) drug trafficking;
- d) arms trafficking;
- e) human trafficking;
- f) people smuggling;
- g) sex slavery, and
- h) terrorism.

- c. Tribal Flights and Conflicts
- d. Cybercrime
- e. Pandemic Threats
- f. Natural Disaster Threats and Response
- g. Climate Change Threats and Response
- h. Environmental Crime
- i. Fraud and Corruption

- ii. The SSD is to be developed in direct cooperation with the Royal Papua New Guinea Constabulary (RPNGC), National intelligence Organization, PNG Customs Service, International Revenue Commission (IRC), Bank of Papua New Guinea (BPNG), PNG Defence Force (PNGDF), Securities Industries Authority, PNG Customs, regional and international cooperation including Interpol and other relevant stakeholders.

SEZA to Institute 'Special Security Detailing' (SSD) Regime	
Develop SSD Regime in cooperation with RPNGC, PNGDF, Security Industries Authority and PNG Customs	
Develop SSD to fully secure the Zones, Economic Corridors, and International Borders to protect Trade, Investment, and National Security Interests	
On-site Security Measures <ol style="list-style-type: none"> 1. Private Security Personnel 2. Military (Border Trade SEZ) 3. Weapons 4. Aids 	Off-site Security Measures <ol style="list-style-type: none"> 1. Planned RPNGC Operations 2. Buffer Zone





- | | |
|---------------------------------|--|
| 5. Equipment
6. Technologies | |
|---------------------------------|--|

Table 6.0- Summary of Special Security Detailing Regime.

iii. On- Site Security

- a. The investor is to employ all security measures including employing security personnel and utilizing weapons, aids, equipment, and technology necessary to protect the zone, its activities, assets, workers, residents, and visitors.
- b. The level of security detailing is to be consistent with the prevailing national laws on security, weapons, aids, equipment and technologies.

iv. Off- Site Security

- a. Off-site security within the domestic territory and leading up to the zone is to be policed through planned RPNGC operations.
- b. A buffer zone of up to 500m wide area is to separate the zone and the domestic territory. The buffer zone is to remain devoid of developments and settlements and is to be secured by the SSD regime.

4.3.4. MARKET ACCESS

- i. SEZA is to institute and administer the 'Market Access' (MA) regime to promote SEZDP as an attractive and internationally competitive regime for PNG's products and services to both the global and domestic markets.
- ii. The MA regime is to align SEZDP to be market driven towards creating an export driven economy and is to compliment the trade and export orientation of PNG National Trade Policy 2017 - 2032.
- iii. SEZA is to cooperate with MITI and Ministry of Foreign Affairs and their respective Departments, National Trade Office (NTO), PNG Customs Service and PNGIPA in expanding the MA regime through foreign missions, bilateral and multilateral trade negotiations and agreements, and trade fairs.
- iv. The MA regime is to institutionalize the backward and forward linkages to the national economy through active promotion of the potential of local products and services, and all supply chains from the upstream sector into the SEZ, into the domestic economy, and out into the international export markets.





- v. Market access for commercial security to SEZ investments is to be a high priority category in SEZ site selection and project feasibility.
- vi. Market access for SEZ project(s) is to be established by the SEZ investor(s) for commercial security to the SEZ investment and to drive all supply chains of the main SEZ activity.
- vii. SEZA is to maintain an electronic register of all SEZ Markets, both local and international, and actively engage in promotional activities of the MA regime to reinforce the SEZDP with existing markets and expand the SEZDP footprint both domestically and internationally.

4.3.5. Investor Relations

- i. SEZA is to institute and administer the 'Investor Relations' (IR) regime to promote the SEZDP and PNG as an attractive and internationally competitive SEZ destination for domestic and international investors. The IR regime is to include:
 - a. SEZ investment opportunities;
 - b. SEZ Incentives;
 - c. SEZ application and license requirements;
 - d. Investor courting and negotiations; and
 - e. Commercial decisions and agreements.
- ii. SEZA is to conduct annual 'SEZ Investment Conference and Exhibition' to enable continuous investment dialogue with existing and potential investors.
- iii. SEZA is to cooperate with MITI and Ministry of Foreign Affairs and their respective departments, NTO, and PNGIPA in expanding the IR regime through business relations, foreign missions, bilateral and multi-lateral trade negotiations and agreements, and trade fairs.
- iv. Securing of the 'Anchor Tenant' or main investor to each project to secure the commercial security to the SEZ investment and associated development works is to be a high priority for the IR regime.
- v. Commercial security of SEZ investment through securing of Anchor Tenant is to be a high priority category in SEZ site selection and project feasibility.





4.3.6. GOVERNMENT COMMITMENT

- i. Direct National Government commitment in supporting SEZA is highly critical to the success of the SEZDP. Government commitment is to be secured through the prioritization described in Section 4.3.1. Government commitment to implement the SEZDP is to be made through:
 - a. Direct Support from the NEC and Office of the Prime Minister to MITI to support SEZA in implementing the SEZDP.
 - b. Special Annual SEZ Budget or SEZ Investment Fund to sustain key aspects of:
 - a) Recurrent costs;
 - b) Capital expenditure priorities; and
 - c) Operational costs.
 - c. Engagement of Development Partners in key technical and financial cooperation programs to support SEZA in:
 - a) Capacity building program;
 - b) Enhancement of the SEZDP; and
 - c) SEZ Policy enhancement and implementation.

4.4. IMPLEMENTATION POLICY 4- FINANCING OF SEZS

4.4.1. SEZ FINANCING

- i. SEZ presents a great challenge for its development because:
 - a. It is capital intensive and requires significant financial resources; and
 - b. There is no universal or direct off-the shelf financing model.
- ii. SEZA is to institute and administer a pragmatic 'Financing' regime with adequate planning for short, medium, and long-term implementation of the SEZDP.
- iii. The financing regime is to develop the 'Special Economic Zone Investment Fund' (SEZIF) for implementation of the SEZDP, and the rules and guidelines for management of the SEZIF are to be developed accordingly.
- iv. The financing regime and SEZIF is to be developed by cooperation through 'Whole of Government Approach' (WGA) and is to include key stakeholders including the least of:





- a. SEZA
 - b. Office of the Prime Minister
 - c. Department of Prime Minister and NEC
 - d. Ministry and Department of International Trade and Investment
 - e. Ministry and Department of Treasury
 - f. Ministry and Department of Finance
 - g. Ministry and Department of National Planning and Monitoring
 - h. Ministry and Department of Attorney General
 - i. Ministry and Department of Commerce and Industry
 - j. International Revenue Commission
 - k. PNG Customs Service
 - l. PNG Investment Promotion Authority
 - m. Bank of Papua New Guinea
- v. SEZIF is to comprise a mix of financing options from various financing institutions and entities and the options are to include the least of:
- a. SEZA (including its subsidiary company) Income Generation
 - b. National Government Annual Budget Direct Grant
 - c. Tax Credit Scheme
 - d. Government Bonds
 - e. Provincial Government Budget
 - f. District Budget
 - g. Municipal Authority Funding
 - h. State Owned Enterprises
 - i. Concessional Loans from Foreign Governments
 - j. Grants by Development Partners
 - k. World Bank Funding
 - l. Public Private Partnership
 - m. Private Finance Initiative
 - n. Finance and Capital Markets
 - o. Development Partners Program Support
 - p. Other approved financing
- vi. Consistent with Sub-section 3.3.2.B, four (4) broad models of SEZ financing are to be adopted for the SEZDP and these are to include:
- a. Private;
 - b. Public;
 - c. Public Private Partnership; an
 - d. Government-to-Government





- vii. Consistent with Sub-Section 4.4.1, SEZ Financing is also to include:
 - a. Green Finance; and
 - b. Climate Finance
- viii. SEZDP financing is to comprise finances for three (3) main cost components:

A. Cost Component 1- SEZA

- i. Key cost components for SEZA are to include:
 - a. Institutional Capacity and Strengthening for SEZA and the Board;
 - b. Operation;
 - c. Planning, studies, design and implementation of SEZDP; and
 - d. Research and Development
- ii. Financing for SEZA is to be exempted from the provisions of Non-Tax Revenue Act 2022 and is to comprise the following:
 - a. Budgetary support from National Government.
 - b. Services fees from services provided by the Authority.
 - c. Rent, fees, fines and penalties collected by the Authority.
 - d. Income from sale of Authority's assets excluding land.
 - e. Fees charged under any lease agreement executed by Authority.
 - f. Payments from administrative determinations.
 - g. Payments from settlement for offenses.
 - h. Revenue from trading activities or investments of the Authority.
 - i. 50% share of total annual Customs import and export duty revenue with respect to SEZ trade with the domestic customs territory.
 - j. 50% share of total annual Internal Revenue Commission taxation revenue collected from each SEZ.
 - k. Grants from development partners.
 - l. Loans sourced in-country and offshore.

B. Cost Component 2- On-Site SEZ Enablers

- i. Key cost components for On-site SEZ are to include:
 - a. Capital Expenditure for infrastructure and service utilities.
 - b. Operational Expenditure for maintenance and upgrading of infrastructure and service utilities.
 - c. Zone investment or business activities.
 - d. Security.





ii. Financing for On-site Enablers is to comprise the following:

a. Private SEZ

- a) Financing is to be sourced by private investors as described in Sub-section 3.3.2.B (b) for participation in developing and operating the SEZ.
- b) Financing is to be sourced by private investors as described in Sub-section 3.3.2.B (c) for investment as zone users.

b. Public SEZ

- a) Financing is to be sourced by eligible Government entities described in Sub- section 3.3.2.B (d) for participation in developing and operating the SEZ.
- b) Financing is to be sourced by eligible Government entities described in Sub- section 4.3.2.3 (c) for investment as zone users.
- c) Financing is to be sourced by private investors for investment as zone users.

c. Public Private Partnership SEZ

- a) Private financing is to be sourced by private investors for participation in PPP SEZs.
- b) Financing is to be sourced by eligible Government entities described for participation in developing and operating PPP SEZs.
- c) Financing is to be sourced by eligible Government entities for investment as zone users.

d. Government-to-Government SEZ

- a) Joint Financing is to be sourced by the Government of PNG and the Governments of Bilateral or Multi-lateral Partners in developing SEZs of mutual interest.
- b) Financing is to be sourced by the Government or Subsidiary Company of SEZA as the Official State Nominee.





C. Cost Component 3- Off-site SEZ Enablers

- i. Key cost components for Off-site Enablers are to include:
 - a. Capital Expenditure for infrastructure and service utilities;
 - b. Operational Expenditure for maintenance and upgrading of infrastructure and service utilities; and
 - c. Security.
- ii. SEZA in corporation with all relevant State entities and is to be responsible for financing Off-site Enablers for all models of SEZ.
- iii. Public financing pooled in the SEZIF and through Government budget support is to be used for developing the Off-site enablers as describe in Subsection 4.3.3.(iv).

4.4.2. ACCOUNTABILITY AND TRANSPARENCY

- i. SEZA is to institute and administer the 'Financial Management' (FM) regime of the SEZDP. The FM regime is to be implemented to enable accountability and transparency in financial management practice adopted by SEZA. The 'Legal Framework' of the FM regime is to comprise:
 - a. Public Finances (Management) Act, 1995 Part VIII of the Public Finances (Management) Act, 1995 applies to and in relation to SEZA; and
 - b. Audit Act 1989 Part III of the Audit Act, 1989 applies to and in relation to the accounts of SEZA.
- ii. SEZA is to maintain consistent with international financial standards; its books, records, accounting and financial statements for implementing the SEZDP.
- iii. SEZA is to publish annually, its audited financial statements and reports on use of the SEZIF and Authority Funds in implementing the SEZDP.

4.5. IMPLEMENTATION POLICY 5- LINKAGES TO THE NATIONAL ECONOMY

- i. SEZA is to institute and administer 'Linkages to the National Economy' (LNE) as an integral aspect of the SEZDP to create an internationally competitive value-added export driven economy.





- ii. SEZA is to focus on growing the LNE with appropriate growth strategies to ensure that strategic backward and forward linkages are created to accordingly result in;
 - a. More employment generation;
 - b. More local participation (SMEs);
 - c. Economic growth acceleration; and
 - d. Enhancement of social welfare.
- iii. SEZA is to institutionalize the backward and forward linkages to the national economy through:
 - a. Active promotion of potential of local products and services;
 - b. Active promotion and support to local supply chains from the upstream sector into SEZ, domestic economy and into international markets;
 - c. Skills and knowledge transfer; and
 - d. Research and development.
- iv. SEZA is to ensure SEZs are prioritized in accordance with National Interest as a way of preferences for:
 - a. Import substitution;
 - b. Local export prioritization; and
 - c. Local employment and knowledge/skill transfer.
- v. Local participation in supply chains is to be promoted and supported through the following minimum interventions:
 - a. Supply of raw materials;
 - b. Packaging;
 - c. Transportation and logistics;
 - d. Energy;
 - e. Water Supply;
 - f. Communication;
 - g. Cluster Businesses;
 - h. Small Medium Enterprise participation as unit investor;
 - i. Employment for labor, semi-skilled and skilled personnel;
 - j. Wholesale into domestic territory;
 - k. On-site retailing of goods and service sales to domestic territory customers; and
 - l. Contracts participation in construction, maintenance or upgrading works of infrastructure and supply of goods and services.

4.6. IMPLEMENTATION POLICY 6: ONE-STOP-SHOP SERVICE





4.6.1. ONE-STOP-SHOP SERVICE

- i. SEZA is to institute and administer the 'One Stop Shop' (OSS) service regime for the SEZDP consistent with the legislative framework in Subsection 4.2.
- ii. The OSS regime is to be developed by SEZA in cooperation with 'Competent State Agencies' responsible for the OSS services.
- iii. The OSS regime is to be aligned towards ultimately achieving the 'Single Window Clearance' (SWC) service for the SEZDP when sufficient experience and capacity is established between SEZA and Competent State Agencies.
- iv. A 'Competent State Agency' (CSA) is a Government or statutory body having regulatory jurisdiction being delegated to it by SEZA over a particular site or activity within an SEZ and the CSAs associated with the SEZDP are to include the least of:
 - a. Department of Lands and Physical Planning (DLPP)
 - b. Conservation Environment Protection Authority (CEPA)
 - c. Climate Change and Development Authority (CCDA)
 - d. Department of Labor and Industrial Relations (DLIR)
 - e. Papua New Guinea Immigration and Citizenship Authority (PNGICA)
 - f. Investment Promotion Authority (IPA)
 - g. Public Private Partnership (PPP) Centre
 - h. National Procurement Commission (NPC)
 - i. National Agriculture Quarantine and Inspection Authority
 - j. PNG Customs Service (PCS)
 - k. Internal Revenue Commission (IRC)
 - l. Bank of Papua New Guinea (BPNG)
 - m. National Institute of Standards and Industrial Technology
 - n. Other relevant statutory bodies or agencies
- v. Convenience and Ease of doing business

To streamline processes and enhance the ease of doing business within SEZs, the 'One Stop Shop' concept shall be a cornerstone of SEZA's operational policy. This approach ensures that all necessary services, approvals, and regulatory requirements for SEZ operators are centralized within SEZA, providing a single point of contact for investors and businesses. By adopting this model, SEZA aims to reduce bureaucratic delays, improve efficiency, and create a more investor-friendly environment, thereby accelerating the development and success of SEZs in PNG.





vi. Implementation of a Single Window Framework

In alignment with the 'One Stop Shop' concept and to further streamline operations within SEZs, a Single Window Framework shall be implemented as a core component of SEZA's service delivery. This framework will integrate all relevant processes, approvals, and communications into a unified platform, allowing SEZ operators to submit documents, obtain clearances, and fulfill regulatory requirements through a single access point. The adoption of the Single Window Framework is intended to enhance efficiency, reduce processing times, and provide a seamless experience for investors and businesses within SEZs, thereby fostering a more conducive environment for economic growth in PNG.

vii. Development Obligations

Developers must construct and maintain SEZ infrastructure and an entry-point One-Stop-Shop office for government agencies (Customs, CEPA, Immigration, etc.).

4.6.2. REGULATORY SERVICES

i. SEZA is to institute and administer the 'Regulatory Services' (RS) regime for the SEZDP. The RS regime is to cater for the five (5) key functions of:

- a. Physical Planning;
- b. Building;
- c. Licensing;
- d. Land Administration; and
- e. Standards.

ii. SEZA is to institute and operate the RS Division to deliberate and recommend for Board Approval, compliance of applications made under the five (5) key functions of RS regime.

iii. SEZA is to institute and administer within the Regulatory Services Division, five (5) Committees with provisions for inclusion of external experts to assess the merits and compliance of applications made under the five (5) key functions of the RS regime. The committees are to comprise:

a. Physical Planning Committee

The Physical Planning Committee is to deliberate and recommend to the SEZA Board for approval, all Physical Planning matters in the approved zones and





right of way for connection of public infrastructure and service utilities to the zone.

b. Building Committee

The Building Committee is to deliberate and recommend to the SEZA Board for approval, all Building matters in the approved zones.

c. Licensing Committee

The License committee is to deliberate and recommend to the SEZA Board for approval, all License matters consistent with the provisions of Sub-section 5.2.

d. Land Committee

The Land Committee is to deliberate and recommend to the SEZA Board for approval, all Land matters consistent with the provisions of sub-section 5.1.

e. Standards Committee

The Standards Committee is to develop in partnership with National Institute of Standards and Industrial Technology (NISIT) where applicable, all standards to guide the implementation of the SEZDP. The standards are to include provisions for world class:

- a) standard operating procedure;
- b) procurement system;
- c) master plan and design;
- d) development and construction;
- e) goods and services;
- f) supply chain service providers;
- g) zone operations;
- h) sustainable design using Green Solutions;
- i) sustainable design using SMART Solutions; and
- j) internationally accredited testing and certification.

4.6.3. ENVIRONMENT AND CLIMATE CHANGE

i. SEZA is to institute and administer the following regimes for the SEZDP:

- a. 'Environmental Practice and Compliance' (EPC) regime (CEPA); and
- b. 'Climate Change Management' (CCM) regime.

ii. The EPC regime is to promote 'Environmentally Sustainable Practice' (ESP) in the; planning, design, construction, and operations of the SEZ and all approved activities to ensure protection and maintenance of the:





- a. environment;
 - b. water bodies;
 - c. sea and marine environments;
 - d. soil;
 - e. natural resources; and
 - f. biological diversity.
- iii. SEZA is to cooperate with CEPA to establish consistent with the Special Economic Zones Authority Act 2019 (amended) and Environment Act 2000 (amended) the EPC regime regarding:
- a. Environmental and social impact assessments;
 - b. Environmental Permits, Approval, and Certificates;
 - c. Air and water quality, emission, and effluents;
 - d. Green and SMART Solutions;
 - e. Waste Management Plan (WMP);
 - f. Enforcement and Monitoring of WMP;
 - g. Contingency and emergency training; and
 - h. Penalties, fines, sanctions, and remedial action.
- iv. SEZA is to maintain an electronic register, shared with CEPA for all environment permits, audits, reports and standards.
- v. The CCM regime is to promote 'Climate Friendly' interventions in the planning, design, construction, and operations of the SEZ.
- vi. SEZA is to cooperate with Climate Change and Development Authority (CCDA) to establish the CCM regime in regard to Climate Resilient Infrastructure, services and interventions to address key issues of Climate Change Adaptation and Mitigation.
- vii. The Green and SMART Solutions are to be the focus of sustainable practice adopted in the developing the SEZs and is to comprise all technologies, products, services, and processes that have proven capabilities in reducing negative environmental impacts and leapfrog PNG in its development timeline.

4.6.4. EMPLOYMENT

- i. SEZA is to institute and administer the "Employment Management" (EM) regime for the SEZDP. The EM regime is to be developed by SEZA in cooperation with the Competent State Agencies responsible for employment, labor and immigration matters including Department of Labor and Industrial Relations and Papua New Guinea Immigration and Citizenship Authority (PNGICA).





- ii. SEZA is directly responsible for all employment matters for SEZ and is to implement the EM regime to address the following key areas:
 - a. Protect rights and entitlement of employees;
 - b. Ensure reasonable working conditions;
 - c. Coordinate skills upgrade of locals;
 - d. Coordinate Localization Program; and
 - e. Coordinate increased employment of citizen workers.
- iii. The EM regime is to ensure that prohibited work practices are restricted in the SEZ and these practices include:
 - a. working hours exceeding maximum limits prescribed under SEZA Act 2019 (amended) and relevant PNG laws;
 - b. wage rates and benefits falling below approved minimum prescribed wages and benefits in the domestic territory;
 - c. labor quotas imposed on Foreign Nationals that exceed the maximum limits;
 - d. sponsorship-guarantee requirements imposed on Foreign Nationals; and
 - e. restrictions on collective-bargaining agreements.
- iv. The EM regime is further to establish the procedures for:
 - a. employment permit, approvals, and certificates;
 - b. work, hygiene, and safety conditions;
 - c. reinforcement and monitoring, including inspection and auditing procedures; and
 - d. penalties, fines, and sanctions.
- v. SEZA is to maintain an electronic register of all employers, employees, and associated employment details.

4.6.5. IMMIGRATION

- i. SEZA is to institute and administer the 'Special Immigration' (SI) regime for the SEZDP. The SI regime is to be developed by SEZA in cooperation with PNGICA as the Competent State Agency responsible for migration matters. The SI regime for SEZDP is to comprise the institution and administration of:
 - a. SEZ Visa Type; and
 - b. SEZ Work Permit.





- ii. Online applications for SEZ Visa and SEZ work permit are to be lodged with SEZA by licensed SEZ enterprises on behalf of their Foreign National Employees.
- iii. Online applications for SEZ Visa and SEZ work permit are to be submitted based on the pre-approved organizational structure of the licensed SEZ enterprise and the applications are to be lodged against pre-approved:
 - a. number of employees;
 - b. level of skills;
 - c. positions; and
 - d. names and particulars of workers.
- iv. Prerequisite medical testing for Foreign National workers is to be conducted at all point of recruitment of the Foreign National Workers by SEZA's approved public or private medical institutions. Medical results are to be lodged electronically with SEZA for pre-approval with employment, visa, and work permit details.
- v. The SI regime is to establish:
 - a. SEZ security screening;
 - b. Entry and Work Permit requirements, restrictions, and time limits;
 - c. Temporary and permanent residency certificates;
 - d. Enforcement and monitoring including inspection and auditing procedures; and
 - e. Penalties, fines, and sanctions.
- vi. Term of the SEZ Visa and SEZ Work Permit for foreign national workers engaged by the respective SEZ licensees are to be awarded as such:
 - a. Developer
Short term, based on approved work program and subject and extendable only to approved variations to work program.
 - b. Operator
Long term, based on approved Operator Agreement.
 - c. User
Long term, based on approved User Agreement.
- vii. The SI regime is to award as an incentive, automatic permanent residency status on the SEZ visa and work permit to foreign SEZ investors. The permanent residency status is for on-site work, business and residency with





conditions set to permit entry and engagement in related work, business, residency, and leisure in the domestic territory.

- viii. Permanent residency status is to be terminated upon breach of SEZ visa and SEZ work permit conditions, transfer, or sale of SEZ ownership of SEZ enterprise without the approval of SEZA and any other activities that would render termination.
- ix. The SI regime is to comprise online application, approval, and administration system with a 24-hour processing and response time frame on all matters associated with SEZ visa and work permit.
- x. SEZ work permits are to be approved and issued online within 24-hour approval time.
- xi. SEZ Visa is to be approved and issued online within 24-hour approval time.

4.6.6. COMPANY REGISTRATION AND INVESTMENT PROMOTION

- i. SEZA is to institute and administer the 'Company Registration and investment Promotion' (CRIP) regime for the SEZDP. The CRIP regime is to be developed by in cooperation with Papua New Guinea Investment Promotion Authority (PNGIPA) as the Competent State Agency responsible for company registration and investment promotion matters. The CRIP regime is exclusive to SEZs and is to comprise the registration of:
 - a. Foreign enterprises;
 - b. Local enterprises;
 - c. Landowner Business Groups;
 - d. Landowner Associations;
 - e. Landowner Companies;
 - f. Public and Private Enterprises expanding from domestic territory into SEZs; and
 - g. Intellectual Property.
- ii. The CRIP regime is to comprise an online application, administration, and approval system with a 24-hour processing, response and approval time frame on all matters associated with SEZ registration.
- iii. The CRIP regime is to comprise promotion of SEZ investment through coordination between SEZA and PNGIPA, within the SEZs, domestic territory and internationally.

4.6.7. SPECIAL ECONOMIC ZONE PROCUREMENT





- i. Consistent with the provisions of Section 4.3.2 and zone supply requirements, SEZA is to institute and administer the 'Special Economic Zone Procurement'(SEZP) regime for development of infrastructure and supply of goods and services to support approved SEZ projects.
- ii. The SEZP regime is to be developed by SEZA in cooperation with Public Private Partnership Centre (PPPC) and National Procurement Centre (NPC) as the Competent State Agencies responsible for procurement matters.
- iii. The SEZP regime is to be instituted and guided with all necessary procedures, processes, and protocols.
- iv. The SEZP regime is to be instituted with its Technical and Financial Evaluation Committees. The SEZP regime is to comprise procurement for:
 - a. On-site development implemented under SEZIF;
 - b. Off-site development implemented under SEZIF;
 - c. Off-site development implemented under other public funds; and
 - d. On-site development implemented under other public funds.
- v. SEZA is to be responsible for procurement of on-site development that is implemented under SEZIF (including SEZA's internal revenue generation).
- vi. SEZA is to be responsible for procurement of off-site development that is implemented under SEZIF (including SEZA's internal revenue generation).
- vii. viii. SEZA in cooperation with PPPC or NPC as the case may be, are to be responsible for procurement of on-site and off-site development that is implemented under other public funds.
- viii. The SEZP does not apply to on-site or off-site development that is implemented under private funds or funding from approved State participants with their own internal procurement systems including:
 - a. State Corporations;
 - b. State Owned Enterprises (SOEs); and
 - c. City Municipalities.

4.6.8. BIOSECURITY

- i. SEZA is to institute and administer the 'Special Bio-security' (SB) regime for the SEZDP. The Bio-security regime is to be developed by SEZA in cooperation





with National Agriculture Quarantine and Inspection Authority (NAQIA) as the Competent State Agency responsible for Bio-security matters.

- ii. The SB regime is to be focused on the agriculture, livestock and fishery and marine components of the SEZDP and is to institute and administer measures to address threats from crops, animals, fish and marine products from production and movements between the SEZ and the domestic territory or international markets.
- iii. Consistent with NAQIA's Bio-security Mandate, the Bio-security regime of the SEZDP is to be aligned to achieve the following key outcomes:
 - a. "Prevent risks of introduction, establishment and spread of pests and diseases of animals and plants, marine and fish species, including those that may consequentially cause harm to humans, agriculture, biodiversity, the environment and the economy."
 - b. "Ensure that PNGs Exports of Products that are of Plant, Animal, Fish and Marine origin conform to WTO SPS measures and Importing Country's Import Protocols" (*NAQIA, 2022, Edited*)
- iv. The Bio-security regime is to be applied in the zones, trade between the zone and domestic territory, and trade at the international Border SEZs.
- v. The regulatory framework in implementing the Bio-security regime of the SEZDP is to be based on:
 - a. Special Economic Zones Authority Act 2019 (amended);
 - b. National Agriculture Quarantine and Inspection Authority Act 1997;
 - c. Animal and Disease Control Act 1952; and
 - d. Plant and Disease Control Act 1953.

4.6.9. CUSTOMS

- i. SEZA is to institute and administer the 'Customs Clearance and Management' (CCM) regime for the SEZDP. The CCM regime is to be developed by SEZA in cooperation with Papua New Guinea Customs Service as the Competent State Agency responsible for customs matters.
- ii. The CCM regime is to comprise provisions for cooperation with PNG Customs as a key facilitator in creating a streamlined operation in the SEZ to:
 - a. Facilitate simpler and effective trade;





- b. Safeguard compliance without restricting trade;
 - c. Collect revenues;
 - d. Prevent illicit activities;
 - e. Special Security Detailing; and
 - f. Security of Investments.
- iii. Consistent with the Customs laws, key aspects of the CCM regime to create the enabling environment for SEZs are to include:
- a. Duty Free Import and Export
All goods entering and exiting the SEZ are to be exempted from import or export tax.
 - b. Provisions for customs-controlled areas
The SEZ is to be a duty free custom controlled area that is governed by customs rules and procedures.
 - c. Governance requirements on goods entering or exiting the zones:
 - a) All SEZ enterprises, their activities and movement of goods are to be subject to customs monitoring, compliance, inspection, and audit procedures.
 - b) All SEZ enterprises are to maintain automated inventory control system and registry for admission of goods, type of activities, exports, and customs duty free and tax status on sale of goods.
 - c) All SEZ enterprises are to undertake annually, physical inventory and audit, and inventory reconciliation of zone goods and financial accounts.
 - d. Illicit Activities

Consistent with the provisions of the SSD in Sub-section 5.3.3, all SEZ establishments, operations and activities are to be subjected to customs regulatory oversight, domestically and through international collaboration to prevent illicit activities including the least of:

- a) trade in counterfeit goods;
- b) money laundering;
- c) human trafficking;
- d) drugs; and
- e) weapons.





- iv. The CCM regime is to track and declare all annual Customs earnings within the respective zones.
- v. The CCM regime is to declare within the respective zones and share the total annual Customs revenue account for the respective zones between SEZA and PNG Customs.
- vi. The CCM regime is to include continuous studies and reforms to improve SEZ Customs policy, OSS and SWC protocol to facilitate SEZ operations.

4.6.10. TAXATION

- i. SEZA is to institute and administer the 'Special Economic Zone Taxation' (SEZT) regime for the SEZDP. The SEZT regime is to be developed by SEZA in cooperation with Papua New Guinea International Revenue Commission (IRC) as the Competent State Agency responsible for taxation matters.
- ii. The SEZT regime is to be instituted as a new category of taxation under the current taxation system of PNG.
- iii. The SEZT regime is to establish and track fiscal benefits provided to SEZ investors as described in Section 5.7 and collect taxes within SEZs.
- iv. The SEZT regime is to establish an electronic database of all fiscal benefits and taxes as applied to all SEZ enterprises at the respective zones, and the database is to contain records of:
 - a. Types of SEZs and nature of investments;
 - b. Tax-free or exempted zones or part of zones;
 - c. Type and term of Fiscal Benefits;
 - d. Applicable Taxes; and
 - e. Taxation Revenue Earnings.
- v. The SEZT regime is to establish a taxation management and reporting system for ease of compliance by SEZ enterprises.
- vi. The SEZT regime is to track all earnings and declare within the respective zones, profits exclusive to the zones.
- vii. The SEZT regime is to declare within the respective zones and share the total annual taxation revenue for the respective zones between SEZA and IRC in proportions as described in Sub-Section 4.4.1.





- viii. The SEZT regime is to include continuous studies and reforms to improve SEZ taxation policy.

4.6.11. BANKING AND FINANCIAL SERVICES

- i. SEZA is to institute and administer the 'Banks and Financial Services' (BFS) regime for the SEZDP. The BFS regime is to be developed by SEZA in cooperation with key Competent State Agencies including:
 - a. Bank of Papua New Guinea; and
 - b. Securities Commission of Papua New Guinea
- ii. The BFS regime is to institute for the SEZDP, key policy interventions for:
 - a. Provision of Banking and Financial Services for SEZs;
 - b. Creation and Operation of Finance SEZ;
 - c. Expansion of on-shore Financial Markets through SEZs; and
 - d. Growing PNG's Financial Globalization.
- iii. SEZA Board through an Independent recruitment and selection process is to approve and recommend for the endorsement of Minister MITI, a competent Board of Management (BOM) to manage the Policy on Banks and Financial Services.
- iv. The BOM is to report directly to SEZA Board on all policy matters including implementation and reforms to develop and enhance the BFS regime. The SEZ BFS regime is to include:
 - a. On-site institution and operations of:
 - a) Commercial Banks
 - b) Investment Banks
 - c) Merchant Banks
 - d) Savings and Loans Societies
 - e) Superannuation Funds
 - f) Life Insurance Companies
 - g) Finance Companies
 - h) Insurance Companies
 - i) Capital Markets
 - j) Stock Markets
 - k) Gold Markets
 - l) Virtual Assets Trading
 - m) Other acceptable Financial and investment Services





- b. Expansion of operations for on-site banks and financial services into the off-site domestic territory.
- c. Accessibility to on-site banks and financial services by foreign citizens as part of the cross-border trade at the Border SEZ.
- d. Expansion and branching out of existing off-site banks and financial services into the SEZ.
- e. Branching out of offshore international banks and financial services to operate inside the SEZ.

4.7. IMPLEMENTATION POLICY 7- INCENTIVES FOR SEZS

4.7.1. SEZS INCENTIVE REGIME

- i. SEZA is to institute and administer the 'Incentives' regime for the SEZDP.
- ii. The Incentives regime is to be guided by international benchmarking and tailored specific to PNG's setting.
- iii. Incentives are to be provided to both domestic and international investors to create long- term investment partnerships through the SEZDP.
- iv. Incentives apply to both the Development or Construction Phase and the Operation Phase of the SEZ.
- v. SEZA is to maintain an electronic database of all incentives issued and exercise continuous monitoring and evaluation for improvement of the Incentives regime.
- vi. An audit of the incentives is to be done periodically.

4.7.2. TYPES OF INCENTIVES

- i. Two (2) types of incentives are to be awarded to investors. These are to include:
 - a. Tax Incentives; and
 - b. Non - Fiscal Incentives.
- ii. Incentives are to be awarded to:





- a. SEZ Developer (or Main Investor); and
- b. Zone User (or Unit investor).

4.7.3. TAX INCENTIVES

- i. SEZ tax incentive is to comprise the mandatory 'Baseline Tax Incentive' together with specific tax incentive as applied to respective SEZ settings.
- ii. SEZ tax incentive is to be applied for Domestic SEZ establishments and Border SEZ establishments.
- iii. The main focus of the tax incentive regime is to attract:
 - a. Downstream processing for Export;
 - b. Employment for Nationals; and
 - c. Foreign Direct Investment (FDI).

4.7.4. INCENTIVES REGIME

i. Baseline Tax Incentive

The baseline parameters for the SEZ incentives package below is to be applied to both SEZ Developer and Zone User.

a. 100% Exempted Taxes during Construction Phase

100% tax exemption is to be applied during the construction phase and is to include all forms of taxes and imposts except Goods and Service Tax (GST) on local supplies sourced from the Domestic Territory including:

- Materials
- Equipment
- Local Contractors
- Consultants
- Service Providers

The exemption applied is to be terminated at the end of the construction phase.

ii. 100% Exempted Taxes during Operations Phase

The following taxes are to be exempted for all types of SEZs:





- a. Good and Service Tax (GST) on imports.
- b. Customs duties (including export and import), tariffs, levies (including import levies) and other similar imposts.
- c. Excise Duty or other similar imposts.
- d. Stamp Duty and other similar imposts on loans, borrowings, securities, and other forms of financing.

iii. Corporate Income Tax (CIT) Incentive- FDI

CIT Incentives are to be applied based on the level of FDI made in both the Construction and Operations Phase of the SEZ and are to be applied to both SEZ Developer and Zone User.

- a. USD 10 Million equivalent minimum investment.
- b. CIT of 0% per approved exemption period for each level of FDI.

No.	Level of Interest (USD)	100% CIT Exception (Years)	50% CIT Exemption for Rural PNG (Years)
1	10 to 50M	5	+3
2	Up to 100M	8	+3
3	Up to 500M	10	+3
4	Up to 1B	12	+4
5	Up to 5B	15	+5

Table 7.0: CIT Exemption Period for FDI.

iv. Other Taxes and Imposts Incentive - FDI

100% Tax Exemption is to be applied for FDI during the operations phase. This exemption is additional to the CIT Incentive in Baseline (iii) and is to be applied over the same incentive period as the CIT but with breakup of the exemption as follows:

- a. 100% Tax Exemption over 1st half of the CIT Incentive Period.
- b. 50% Tax Exemption over 2nd half of the CIT Incentive Period.

The exemption is to be applied to the following taxes within the SEZs:

- a. Business Income Withholding Tax
- b. Interest withholding Tax
- c. Dividend Withholding Tax
- d. Royalty Withholding Tax





- e. Non-resident insurer Withholding Tax
- f. Foreign Contractor's Withholding Tax
- g. Management Withholding Tax
- h. Salary and Wages Tax for all foreigners and locals
- i. Goods & Service Tax on Sale of Zone Goods
- j. Land Tax
- k. Land Rentals

v. **Maximum Incentive Period (Tax Holidays)**

No SEZ licensee or project shall enjoy tax holidays or similar fiscal exemptions beyond a 15-year period from the commencement of its operations in the zone.

vi. **Pioneer Industry Incentive (First-Mover Advantage)**

A pioneer industry enterprise shall be eligible for a Corporate Income Tax exemption of up to fifteen (15) years. No subsequent enterprise in the same industry will be granted the same level of incentives.

vii. **Tiered Incentive Benefits by Investment Size**

Projects that commit an investment of K5 billion or more shall be considered for the maximum CIT holiday of 15 years. Projects with smaller investment values will receive proportionately lesser benefits.

viii. **Differentiated Incentives for Rural vs. Urban Zones**

SEZs in rural areas may qualify for additional support or extended terms relative to urban SEZs, while maintaining the 15-year cap.

ix. **Scope of Incentives and Approval**

All incentives must be stipulated in the licensee's Regulatory Contract and comply with the limits set out in this Policy. Approval shall be guided by an objective evaluation matrix and incentive guidelines.

x. **Incentive Evaluation Matrix (Scorecard-Based Framework)**

SEZA will apply the following matrices to assess whether a Developer or Enterprise qualifies for incentives, and to what extent.

This framework makes SEZ licensing and incentives transparent, fair, and aligned with national goals. By setting clear rules and measurable criteria,





Papua New Guinea will attract high-impact investments while protecting public resources and prioritizing rural and industrial transformation.

a. SEZ Developer Evaluation Criteria

Use: Projects scoring high are eligible for longer or more comprehensive incentives. Low-scoring proposals may be denied or granted minimal support.

Criteria	Description	Weight (%)
Capital Investment Size	Total investment committed to zone infrastructure	20
Developer's Capacity & Track Record	Past performance and financial strength	10
Regional (Rural) Development Impact	Location and benefits to underdeveloped areas	15
Alignment with National Priorities	Consistency with PNG's strategic goals	15
Economic Impact Potential	Expected benefits: jobs, exports, import substitution	20
Infrastructure & Utility Plan	Adequacy of site development and services	10
Financial Viability & Payback	Likelihood of early economic returns	10

Table 8.0- SEZ Developer Evaluation Criteria.

b. SEZ Enterprise (Locator/User) Evaluation Criteria

Use: Projects are scored and ranked. Only those exceeding minimum thresholds will access tax holidays or other benefits.

Criteria	Description	Weight (%)
Employment Generation	Number and quality of local jobs created	20
Import Substitution / Export	Reduction in imports or increase in foreign exchange earnings	20
Foreign Direct Investment (FDI)	Volume of new foreign capital injected	15
Alignment with National Interest	Fit with PNG's development and industrial policy	15





Rural Development Impact	Contribution to rural zones and communities	10
Economic Return / Payback Period	Anticipated return on government incentives	20

Table 9.0- SEZ Enterprise (Locator/User) Evaluation Criteria.

Notes:

- a. The Incentive Regime includes location of SEZ project sites and is aligned to draw investment to the rural areas where the bulk of the population resides.
- b. Rural focus incentive is tied to additional 50% CIT exemption period.
- c. Rural PNG applies to villages and areas that are located at a minimum of 50km from main towns and cities.
- d. Rural PNG applies to SEZ Regions or Economic Development Corridors.
- e. Urban and Semi-urban PNG applies to areas located within 50km radius from the District or Provincial towns or cities.
- f. Investors not meeting investment threshold in Table 8.0 are still entitled to 100% Exempted Taxes in baseline (iv).
- g. The exemption in baseline (iv) applies to the main CIT exemption period only and does not apply over the extension period for rural PNG as allocated in Table 8.0.
- h. CIT is to be applied at 100% till investor increases investment in the succeeding year to match levels of investment in Table 8.0.

ii. **Baseline Non-Fiscal Incentives**

SEZ Non- Fiscal Incentive is to apply to all SEZs and is to include the least of the following provisions.

- a. Security of Land Tenure with 99-Year SEZ Lease as described in Section 5.1.4 (ii).
- b. One-Stop-Shop Service with ease of regulatory and documentary requirements as described in Section 5.6.1.
- c. On-site Permanent Residency Visa for SEZ Owners (Investors) and their families as described in Section 5.6.5 (vii).
- d. Special SEZ Visa and SEZ work permit as described in Section 5.6.5 (i).
- e. 100% foreign ownership of SEZ is allowed.
- f. Free access to international financial markets without any legal impediments or restrictions.





- g. No ceiling on access to foreign investment
- h. Exercise freedom of foreign currency trading and transactions on-site
- i. Foreign currency holding and retention on-site to meet investor or enterprise forex demand for business and international trade.
- j. Use any other forms of investment specifically related to fintech, blockchain, cryptocurrency initial coin or token offerings and any other virtual financial assets.
- k. No Import and Export License or permit.
- l. A private investor or enterprise that successfully builds and operates a zone successfully is to be permitted to establish a franchise model to venture into developing other SEZs.
- m. National Public Holidays are optional in the zones.



Manufacturing Zones



PART 5

**MONITORING AND
EVALUATION &
POLICY
RECOMMENDATION
FOR IMPLEMENTATION**



5.1. MONITORING AND EVALUATION

- i. SEZA is to institute and administer the 'Monitoring and Evaluation' (M&E) regime for the SEZDP to ensure that the goals and objectives of SEZDP are achieved for PNG.
- ii. The M&E regime is to ensure that the SEZ Foundation Policy and successive policies are reviewed periodically and continuously improved for the SEZDP to remain internationally competitive and attractive, and appropriate and inclusive as an integral part of PNG's economic reform and growth strategy.
- iii. SEZA is to institute key measures to track and monitor the annual performance of the SEZDP through a multi-stakeholder approach through collaboration with DITI, NTO, OSS Competent Agencies, developers, operators, users, subnational Governments, municipalities, and key participating industry players.
- iv. SEZA Board is to be responsible to guide and coordinate the M&E regime for the SEZ and advise Minister MITI accordingly on all policy matters.
- v. The successive SEZ Policies are to be reviewed every four (4) years and any additions, or amendments within the review period is to be included as supplementary to the main policy and incorporated fully into the successive policy.

5.2. POLICY RECOMMENDATION FOR EVALUATION

- i. SEZA is to implement all recommendations made in the Foundation Policy to guide and pioneer the institution and implementation of the SEZDP for PNG. The recommendations are described as regimes in the policy.
- ii. SEZA is to implement the Foundation Policy through cooperation with all key stakeholders including DITI, Key Government Departments, State Agencies and Competent Agencies identified in the Policy.
- iii. A working committee of key supporting institutions is to be institutionalized to assist SEZA to implement the Foundation Policy.

5.3. KEY PERFORMANCE INDICATORS

Monitoring and evaluation are critical to ensuring that SEZs achieve their intended goals. Key Performance Indicators (KPIs) provide measurable benchmarks for assessing the progress and impact of SEZs.





A. PROPOSED KPIs FOR SEZs IN PNG

- i. Job Creation
Number of jobs created within SEZs, with a breakdown by sector and job type.
- ii. Investment Levels
Total amount of domestic and foreign investment attracted to SEZs, with a focus on strategic sectors.
- iii. Economic Output
Contribution of SEZs to national GDP, including export growth and value-added production.
- iv. Infrastructure Development
Progress in infrastructure projects supporting SEZs, such as roads, ports, utilities, and technology infrastructure.
- v. Community Impact
Social and economic outcomes for local communities, including income levels, access to services, and quality of life improvements.
- vi. Environmental Sustainability
Compliance with environmental regulations and the adoption of green technologies and practices within SEZs.

B. MEASUREMENT AND ANALYSIS

Each KPI will be measured using specific methodologies, with baseline data collected prior to SEZ development. SEZA will regularly monitor these KPIs and analyze the data to assess progress and identify areas for improvement. The results will be used to inform policy adjustments and ensure that SEZs are meeting their intended goals.

C. Establishing a Robust M&E System

SEZA will implement a comprehensive Monitoring and Evaluation (M&E) system that tracks the progress of SEZs, assesses their impact, and informs policy adjustments.





a) M&E Procedures Include:

i. Baseline Assessments

Before SEZ development begins, SEZA will conduct baseline assessments to establish initial conditions for key indicators, such as economic activity, employment, and infrastructure status.

ii. Regular Monitoring

SEZA will carry out regular monitoring activities, including site visits, data collection, and stakeholder consultations, to track progress against KPIs. Monitoring will occur on a quarterly and annual basis.

iii. Independent Evaluations

In addition to internal monitoring, SEZA will commission independent evaluations to provide an objective assessment of SEZ performance. These evaluations will be conducted by external experts and institutions.

iv. Reporting and Transparency

SEZA will publish regular reports on the performance of SEZs, including progress on KPIs, challenges encountered, and recommendations for improvement. These reports will be made publicly available to ensure transparency.

b) Examples of Successful M&E Systems

The M&E framework outlined in this policy is informed by successful M&E systems used in SEZs worldwide. For example, the M&E system used in Dubai's Jebel Ali Free Zone (JAFZA) includes regular performance reviews, independent audits, and transparent reporting. These practices have contributed to JAFZA's success as a leading global free zone. PNG's M&E framework incorporates similar practices, adapted to the local context.

D. POLICY ADJUSTMENT MECHANISMS

a) Adapting to Changing Conditions

The SEZ policy must be flexible enough to adapt to changing economic, social, and environmental conditions. Based on M&E findings, SEZA will implement policy adjustments to ensure that SEZs remain relevant and effective.





b) Policy Adjustment Mechanisms Include:

i. Annual Policy Reviews

SEZA will conduct annual reviews of the SEZ policy, using M&E data to identify areas where adjustments are needed. These reviews will consider feedback from investors, communities, and other stakeholders.

ii. Adaptive Management

SEZA will adopt an adaptive management approach, allowing for real-time adjustments to SEZ operations based on monitoring data. This approach will enable SEZA to respond quickly to emerging challenges or opportunities.

iii. Stakeholder Consultation

Before making significant policy adjustments, SEZA will consult with key stakeholders, including Government agencies, investors, and local communities, to ensure that changes are well-informed and broadly supported.

iv. Legislative Updates

Where necessary, SEZA will work with the Government to update the legal framework governing SEZs, ensuring that it remains aligned with best practices and the evolving needs of PNG's economy.

Examples of Successful Policy Adjustments

Policy adjustment mechanisms have been successfully implemented in SEZs worldwide, including in China's Shenzhen SEZ, where periodic reviews and adjustments have helped the zone adapt to changing economic conditions. PNG's policy adjustment mechanisms are designed to ensure that SEZs remain competitive and aligned with national development goals.

E. APPLYING GLOBAL LESSONS TO PNG

The experiences of China, the Philippines, and the UAE offer valuable lessons for PNG's SEZ development.

Key takeaways include:

i. Strategic Location and Infrastructure

Like Shenzhen and JAFZA, PNG's SEZs should be located in areas with high potential for connectivity and access to global markets. Investing in world-class infrastructure is crucial for attracting investors.



- ii. **Government Support and Stability**
A consistent and supportive Government policy is essential for SEZ success. PNG's Government must commit to long-term support for SEZs, ensuring policy stability and providing clear incentives.
- iii. **Public-Private Partnerships (PPPs)**
PPPs have been instrumental in the success of SEZs in the Philippines and the UAE. PNG should leverage PPPs to finance and manage SEZ infrastructure, while maintaining strong regulatory oversight through SEZA.
- iv. **Community Engagement**
Effective community engagement, as seen in South Africa's SEZs, is vital for ensuring local support and avoiding conflicts. PNG's SEZA should prioritize transparent, participatory processes that involve local communities in SEZ development.
- v. **Environmental Sustainability**
Incorporating sustainable practices into SEZ planning and operations is increasingly important. PNG should ensure that its SEZs comply with environmental regulations and adopt green technologies.

5.4. CONCLUSION AND POLICY RECOMMENDATIONS

5.4.1. SUMMARY OF ACTIONS

The SEZ policy outlines a clear and comprehensive framework for the development of Special Economic Zones in PNG. Key actions include:

- i. Establishing SEZA as the central authority for SEZ governance, with clear roles and responsibilities for other Government agencies.
- ii. Implementing a robust legal framework that provides clear guidelines for land acquisition, investment incentives, and regulatory oversight.
- iii. Engaging with stakeholders, including local communities, private sector investors, and provincial Governments, to ensure broad support and participation in SEZ development.
- iv. Developing critical infrastructure that supports SEZ operations and connects them to global markets.





- v. Monitoring and evaluating SEZ performance through a comprehensive M&E framework, with the flexibility to adapt policies based on data-driven insights.

5.4.2. DETAILED ACTION PLAN

The action plan provides specific steps for each institution involved in SEZ development, including timelines, responsibilities, and resource requirements. This plan is designed to ensure that all stakeholders are aligned and that SEZ projects are implemented efficiently and effectively.

5.4.2. NEXT STEPS

a. Immediate Priorities

i. Finalizing the Legal Framework

SEZA, in collaboration with the Ministry of Justice, will finalize and enact the necessary legislation to support SEZ development, including the SEZ Land Lease Act and One-Stop-Shop Service Act.

ii. Initiating Land Acquisition

SEZA will begin the process of acquiring land for priority SEZs, ensuring that all legal and community engagement processes are followed.

iii. Engaging Investors

SEZA will launch a national and international investment promotion campaign to attract investors to PNG's SEZs, highlighting the incentives and opportunities available.

iv. Infrastructure Planning

SEZA will work with the Department of Transport and other relevant agencies to develop detailed infrastructure plans for the first phase of SEZ development.

b. Medium-Term Goals (Next 1-3 Years)

i. Establishing Initial SEZs

SEZA will oversee the establishment of the first SEZs, focusing on sectors with high growth potential, such as agriculture, manufacturing, and logistics.

ii. Building Capacity





SEZA will invest in capacity-building initiatives to ensure that it and other relevant agencies have the expertise and resources needed to manage SEZs effectively.

iii. Monitoring and Adjustment

SEZA will begin implementing its M&E framework, conducting the first annual reviews of SEZ performance and making any necessary policy adjustments.

c. Long-Term Vision (10-20 Years)

Over the next 10-20 years, SEZs are expected to play a central role in transforming PNG into a competitive, diversified economy. By creating jobs, attracting investment, and promoting sustainable development, SEZs will contribute to PNG's broader goals of economic resilience and social inclusion.

d. Sustainable Growth

The long-term success of SEZs will depend on their ability to adapt to changing global economic conditions, integrate sustainable practices, and maintain strong community support. SEZA will continue to refine and improve the SEZ policy to ensure that PNG's SEZs remain competitive and contribute to the nation's prosperity.





PART 6

SCHEDULES



SCHEDULE I- IDENTIFIED POTENTIAL SEZS IN PNG

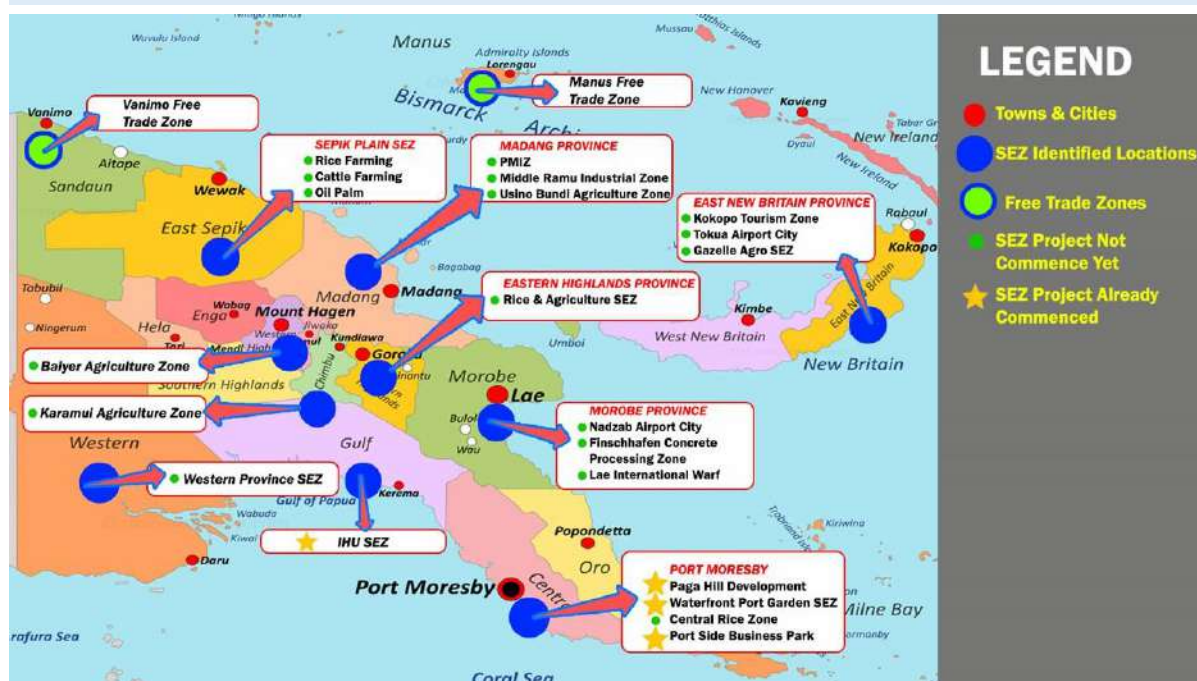


Figure 12.0- Identified Potential SEZs in PNG.

No.	Province	District	Type of SEZ
1	East New Britain	All	Tourism, Fisheries, Agriculture, Forestry Park
2	West New Britain	All	General
3	Autonomous Region of Bougainville	All	Agriculture, Border
4	National Capital District	All	General
5	Central	All	General
6	Oro	All	Tourism
7	Milne Bay	All	Tourism
8	Western	All	Agriculture, Fisheries, Border
9	Gulf	All	Industrial
10	Morobe	Finschhafen	Industrial
11		Markham	Agriculture
12		Huon Gulf	Industrial
13	Madang	All	Marine, Industrial, Agriculture, Tourism
14	East Sepik	All	Agriculture
15	West Sepik	All	Agriculture, Forestry Park, Border
16	Western Highlands	All	Agriculture and General
17	Jiwaka	All	Agriculture and General
18	Hela	All	Petroleum and General
19	Southern Highlands	All	Petroleum and General
20	Eastern Highlands	All	Agriculture
21	Simbu	All	Agriculture

Table 10.0- List of Identified Potential SEZs in PNG.



SCHEDULE II- EVALUATION CRITERIA FOR SEZS

As a minimum, the SEZ evaluation criteria of an SEZ proposal is to comprise the following requirements:

- a. Market driven proposal with secured security to anchor investment
- b. International trade effect of planned SEZ
- c. Effect of proposed SEZ on domestic industries
- d. Potential for job creation and skills and knowledge transfer
- e. Technology and innovation, research, and development
- f. Linkages of SEZ to domestic economy
- g. Proximity of SEZ to enterprise clusters
- h. Positive financial and economic rate of return
- i. Compliance to SEZ investment envelope
- j. Existence and suitability of planned on-site infrastructure
- k. Connectivity of off-site infrastructure to SEZ site
- l. Resettlement of local population
- m. Potential for expansion
- n. Physical boundaries to secure respective SEZ components
- o. Compliance to environmental laws
- p. Consultation with local communities and authorities
- q. Compliance to Government goals and poverty reduction
- r. Security of land tenure
- s. Design provision for multiple SEZ users
- t. Compliance to statutory authority laws for SEZ development
- u. Support of Competent Agencies
- v. Factors to protect welfare of people and the State





SCHEDULE III- INFORMATION TO BE SUBMITTED WITH AN SEZ LICENSE APPLICATION

The following information are to be submitted with an SEZ License Application:

- a. valid business registration
- b. verified financial source, funding plan and audited financial statements
- c. technical capacity and experience
- d. business plan and pre-feasibility study to guide project implementation
- e. concept master plan with physical planning zoning and land use
- f. design and documentation of infrastructure with cost estimates
- g. implementation schedule of all project phases
- h. integration of SEZ to local physical planning
- i. schedule of fees for provision of infrastructure and service utilities
- j. compliance of works to requirements of regulatory authorities
- k. physical security measures for boundary separation of zone areas
- l. payment of non-refundable application fee
- m. any other relevant information





SCHEDULE IV- INCENTIVES REGIME

iii. BASELINE TAX INCENTIVE

The baseline parameters for the SEZ incentives package below is to be applied to both SEZ Developer and Zone User.

b. 100% Exempted Taxes during Construction Phase

100% tax exemption is to be applied during the construction phase and is to include all forms of taxes and imposts except Goods and Service Tax (GST) on local supplies sourced from the Domestic Territory including:

- Materials
- Equipment
- Local Contractors
- Consultants
- Service Providers

The exemption applied is to be terminated at the end of the construction phase.

iii. 100% Exempted Taxes during Operations Phase

The following taxes are to be exempted for all types of SEZs:

- e. Good and Service Tax (GST) on imports.
- f. Customs duties (including export and import), tariffs, levies (including import levies) and other similar imposts.
- g. Excise Duty or other similar imposts.
- h. Stamp Duty and other similar imposts on loans, borrowings, securities, and other forms of financing.

iv. Corporate Income Tax (CIT) Incentive- FDI

CIT Incentives are to be applied based on the level of FDI made in both the Construction and Operations Phase of the SEZ and are to be applied to both SEZ Developer and Zone User.

- c. USD 10 Million equivalent minimum investment.
- d. CIT of 0% per approved exemption period for each level of FDI.





No.	Level of Interest (USD)	100% CIT Exception (Years)	50% CIT Exemption for Rural PNG (Years)
1	10 to 50M	5	+3
2	Up to 100M	8	+3
3	Up to 500M	10	+3
4	Up to 1B	12	+4
5	Up to 5B	15	+5
6	Up to 10B	20	+5
7	10B +	30	+5

Table 11.0: CIT Exemption Period for FDI.

v. Other Taxes and Imposts Incentive - FDI

100% Tax Exemption is to be applied for FDI during the operations phase. This exemption is additional to the CIT Incentive in Baseline (iii) and is to be applied over the same incentive period as the CIT but with breakup of the exemption as follows:

- c. 100% Tax Exemption over 1st half of the CIT Incentive Period.
- d. 50% Tax Exemption over 2nd half of the CIT Incentive Period.

The exemption is to be applied to the following taxes within the SEZs:

- l. Business Income Withholding Tax
- m. Interest withholding Tax
- n. Dividend Withholding Tax
- o. Royalty Withholding Tax
- p. Non-resident insurer Withholding Tax
- q. Foreign Contractor's Withholding Tax
- r. Management Withholding Tax
- s. Salary and Wages Tax for all foreigners and locals
- t. Goods & Service Tax on Sale of Zone Goods
- u. Land Tax
- v. Land Rentals

Notes:

- i. The Incentive Regime includes location of SEZ project sites and is aligned to draw investment to the rural areas where the bulk of the population resides.
- j. Rural focus incentive is tied to additional 50% CIT exemption period.





- k. Rural PNG applies to villages and areas that are located at a minimum of 50km from main towns and cities.
- l. Rural PNG applies to SEZ Regions or Economic Development Corridors.
- m. Urban and Semi-urban PNG applies to areas located within 50km radius from the District or Provincial towns or cities.
- n. Investors not meeting investment threshold in Table 8.0 are still entitled to 100% Exempted Taxes in baseline (iv).
- o. The exemption in baseline (iv) applies to the main CIT exemption period only and does not apply over the extension period for rural PNG as allocated in Table 8.0.
- p. CIT is to be applied at 100% till investor increases investment in the succeeding year to match levels of investment in Table 8.0.

iv. Baseline Non-Fiscal Incentives

SEZ Non- Fiscal Incentive is to apply to all SEZs and is to include the least of the following provisions.

- n. Security of Land Tenure with 99-Year SEZ Lease as described in Section 5.1.4 (ii).
- o. One-Stop-Shop Service with ease of regulatory and documentary requirements as described in Section 5.6.1.
- p. On-site Permanent Residency Visa for SEZ Owners (Investors) and their families as described in Section 5.6.5 (vii).
- q. Special SEZ Visa and SEZ work permit as described in Section 5.6.5 (i).
- r. 100% foreign ownership of SEZ is allowed.
- s. Free access to international financial markets without any legal impediments or restrictions.
- t. No ceiling on access to foreign investment
- u. Exercise freedom of foreign currency trading and transactions on-site
- v. Foreign currency holding and retention on-site to meet investor or enterprise forex demand for business and international trade.
- w. Use any other forms of investment specifically related to fintech, blockchain, cryptocurrency initial coin or token offerings and any other virtual financial assets.
- x. No Import and Export License or permit.
- y. A private investor or enterprise that successfully builds and operates a zone successfully is to be permitted to establish a franchise model to venture into developing other SEZs.
- z. National Public Holidays are optional in the zones.





SCHEDULE V- POLICY ALIGNMENTS TO THE STRATEGIC DEVELOPMENT PATHWAYS OF THE NATION

1. CONSTITUTION

Policy Alignment:

The SEZDP is directly aligned with the five (5) National Goals and Directive Principles (NGDP) of the Constitution.

Specifically, the SEZDP is directly aligned as such:

a. Integral Human Development

- i. The Foundation Policy to the SEZDP is a PNG initiative and is 100% home grown. It reinforces the directive for “every person to be dynamically involved in the process of freeing himself or herself from every form of dominion or oppression.”

b. Equality and Participation

- i. The SEZDP is inclusive in approach and directly promotes equality and participation “for all citizens to have an equal opportunity to participate in, and benefit from, the development of the country.”
- ii. The vision and policy framework of the SEZDP is aligned to encourage, stimulate, and sustain the climate and environment for commerce, business, and trade in the country. Especially in areas away from the main towns and cities with great economic potential but are naturally difficult to develop into economies of scale because of constraints that limit growth in the wider national economy.

c. National Sovereignty and Self Reliance

- i. The vision and policy framework of the SEZDP is directly aligned with PNG’s goal to be “economically independent, and our economy basically self -reliant.”
- ii. The SEZDP is aligned to enhance PNG’s economic growth through downstream processing and industrialization, and development of service industries including tourism. Strength of the national economy is one of the greatest pillars of national sovereignty.





d. Natural Resources and Environment

- i. The SEZDP is aligned with the goal for “Papua New Guinea’s natural resources and environment to be conserved and used for the collective benefit of us all and be replenished for the benefit of the future generations.”
- ii. The Foundation Policy promotes sustainable development through the incorporation of green and climate solutions, and SMART solutions to guide the standards, planning, design, construction, and operations of SEZs.

e. Papua New Guinean Ways

- i. The SEZDP is aligned with the goal “to achieve development primarily through the use of Papua New Guinean forms of social, political and economic organization.”
- ii. The Foundation policy has provisions for forward and backward linkages to the National Economy to institute inclusiveness of local or citizenship participation in local supply chains through employment, service providers (SMEs) and local business participation. The linkages to the national economy directly address the directive to give “particular emphasis in our economic development to be placed on small scale artisan, service and business activity.”

2. Vision 2050

Policy Alignment:

- i. The Foundation Policy to the SEZDP is directly aligned with the development direction as charted by Vision 2050 to create a ‘Smart, Wise, Fair and Happy Society’ through the priorities for economic development.
- ii. Specifically, the SEZDP is aligned as such:
 - a. Directional and Enabling Statements

Guiding Principle No: 6 - Papua New Guinea is Progressive and Globally Competitive

- The SEZDP is aligned with Guiding Principle No:6 by taking into account the emerging global trends through the SEZ development vehicle as an important economic policy tool “to position Papua New Guinea in the global





environment in order to maximize its comparative and competitive advantages.” in trade and economic development.

The Strategic Direction

- The vision, mission, and goals of the SEZDP align directly with the strategic direction for Vision 2050.
- The SEZDP targets economic diversification away from the traditional primary focus on upstream mining and energy sectors, and pursues downstream, value added and diversification of all key economic sectors including “manufacturing, services, agriculture, forestry, fisheries and ecotourism,” to enhance socioeconomic performance and ultimately improve the Human Development Index rating of the nation.

iii. Pillars for Vision 2050

- a. The Foundation Policy to the SEZDP is aligned with the 7 pillars for Vision 2050 that underpin economic growth and development of PNG.
- b. Specifically, SEZDP is directly aligned with the Pillar for Wealth Creation (Sub- clause 1.17.4) which focuses on the shared common interests in:
 - major economic activities in; agriculture, fisheries, tourism, manufacturing
 - robust economic growth
 - infrastructure and utilities
 - security and international relations
 - environmental sustainability and climate change

- iv. The direction provided by sub-section 1.17.5.2 is specifically for the establishment of Special Economic Zones. Thus, the SEZDP as an economic intervention program is directly compatible to strategic directions of Vision 2050.

3. PNG Development Strategic Plan (2010- 2030)

Policy Alignment:

- i. PNG Development Strategic Plan (2010 - 2030) is strategically aligned with the National Goals and Directive Principles of the Constitution and the directions of Vision 2050. The SEZDP is therefore directly aligned to the provisions of the Development Strategic Plan.





- ii. Specific to the focus of the Development Strategic Plan, the SEZDP is aligned directly with the following:

- a. **Part 2 Economic Corridor Concept**

- i. Planning and SEZ site selection for the SEZDP is directly aligned with the Economic Corridors of the Development Strategic Plan. Of common interest is the focus of the SEZDP to develop and integrate into the mainstream economy, identified undeveloped areas of the economic corridors that have high economic potential.
- ii. The inception of the site selection for the SEZDP consisted for an initial twenty-four (24) potential sites. The proposed sites were selected from the ten (10) economic corridors identified in the Strategic Development Plan.
- iii. The 10 Economic Corridors are shown in Figure 13.0 and the potential SEZ sites selected in the inception of the SEZDP are shown in Figure 12.0.

- b. **Part 3 Macroeconomic Management and Financial Sector**

- i. The SEZDP aligns directly with the provisions for 'Business and Investment'. The shared common goal between the two is for PNG to be an attractive destination for business and investment.
- ii. The SEZP policy framework has institutionalized key areas to make the SEZDP relevant as an economic intervention for PNG and for it to attract both domestic and foreign direct investments and remain competitive and attractive.
- iii. The key features of the SEZDP include:
 - a. Tax and non-fiscal incentives to attract investment
 - b. One-Stop-Shop Service for ease of doing business
 - c. Market Access Regime
 - d. Investor Relations Regime
 - e. Linkages to the National Economy
- iv. The SEZDP is also directly aligned with the shared 'Trade' goal "to realize the benefit of trade for PNG". Integral to the goal of the SEZDP to promote trade is to create an internationally competitive value-added export driven economy.

- c. **Part 4 Land, Services, Transport and Utilities Development Strategies**





- i. The SEZDP is directly aligned with the key provisions for 'Land, services, transport and utilities development strategies'.

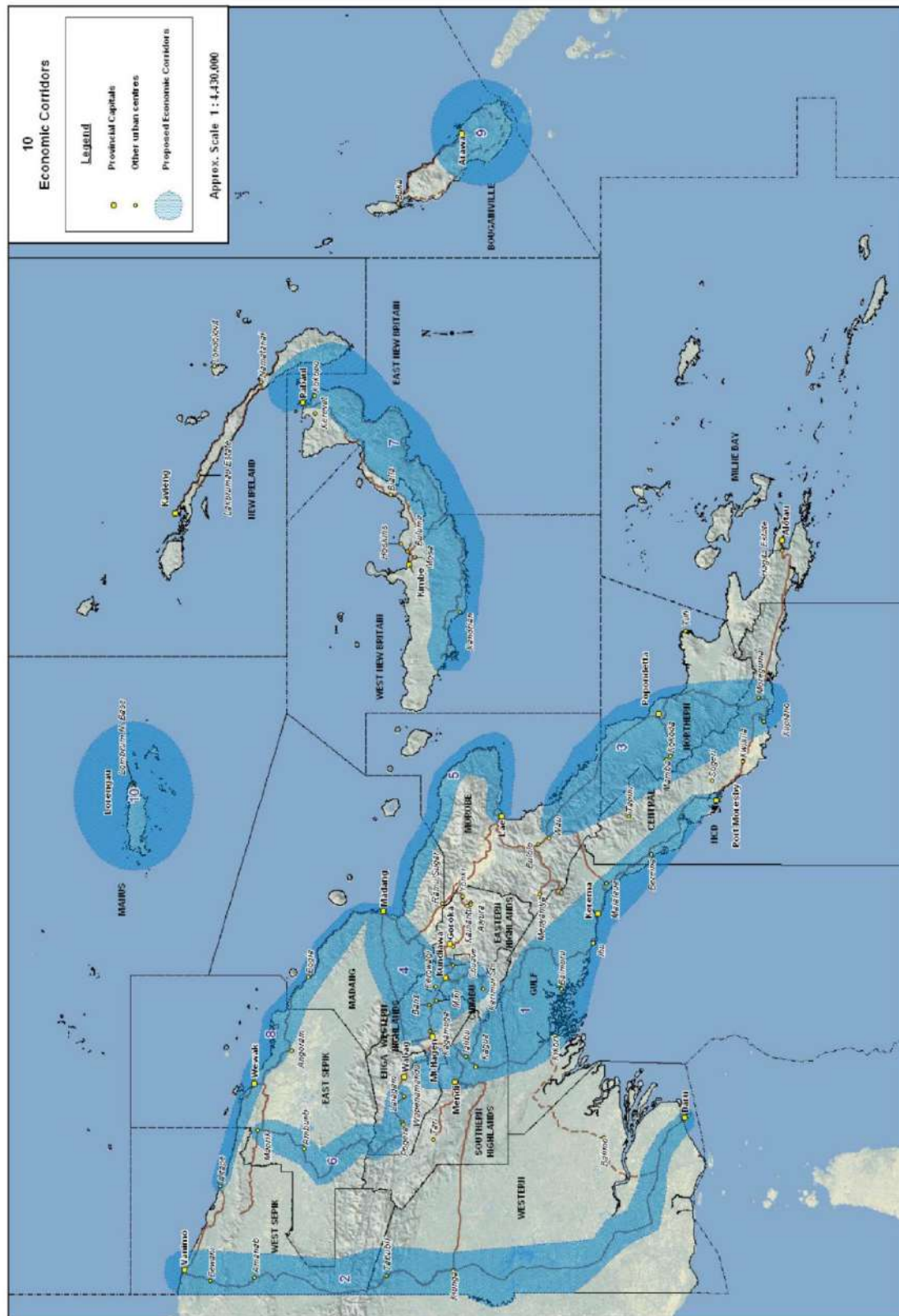


Figure 13.0- Map of 10 Economic Corridors- Source: PNG Development Strategic Plan (2010- 2030)





ii. Specific alignment of the SEZDP is under the following provisions:

- Land Mobilization Program (LMP) to address land development
- Special Security Detailing (SSD) to address law and order
- Goal No: 7 - Generate Skilled Local Employment to address human resource development and training
- Goal No: 8 - Develop Technology and Innovative Solutions (Research & Development) to address research, science, and technology
- Critical enablers, both on and of-site to address key priorities in:
 - Transport Sector Development
 - Utilities
 - Infrastructure and Communications Technology
 - Energy Department

iii. Priority on rural development through:

- site selection in economic corridors;
- primary industry focus in agriculture, fisheries and forestry; and
- rural tax incentives.

d. Part 5 Economic Sectoral Priorities

- i. The SEZDP aligns with the economic sectoral priorities through Goal No: 6 - Expand and diversify the Economic Base and Accelerate Economic Growth. This alignment is a move away from the dependency on the upstream mining and energy sector to downstream processing in the primary industry and forest sector, and value-added streams in the service industry.
- ii. The SEZDP has adopted a 'Flexible Regime' for the types of SEZs to be developed in PNG and has a common interest in developing the sectoral priorities in:
 - Agriculture and livestock
 - Fisheries
 - Forestry
 - Petroleum
 - Minerals
 - Manufacturing
 - Tourism





iii. The SEZDP is further aligned through its provisions for linkages to the national economy. These linkages target the priorities for:

- Non-Agricultural informal sector
- Small and medium enterprises

4. National Trade Policy (2017- 2032)

Policy Alignment:

- i. “The National Trade Policy’s (NTP) core focus is on developing a sound and efficient trading system that will directly support the growth of the domestic economy as well as in strengthening PNG’s international competitiveness and attractiveness as an export-led economy. In this regard, the NTP will be a critical enabler for national economic development as well as propelling PNG into being an exporter of value-added goods and services” (sub-section 1.9, page 39).
- ii. The SEZDP is directly aligned with the core focus of the NTP through the following goals:
 - a. Goal 3 - promote downstream processing for import substitution.
 - b. Goal 4 - Develop a productive domestic market.
 - c. Goal 5- Create an internationally competitive value-added export driven economy.
 - d. Goal 6 - Expand and diversify the economic base and accelerate economic growth.
- iii. Consistent with its core focus, the NTP has prioritized development of key economic sectors to drive the trade agenda and subsequent economic growth of PNG.
- iv. The SEZDP has adopted a ‘Flexible Regime’ for the types of SEZs to be developed in PNG and accordingly has a shared common interest with the NTP for SEZ intervention to develop the economic sectoral priorities in:
 - a. Agriculture
 - b. Forestry
 - c. Fisheries
 - d. Services
 - e. Mining, Oil and Gas
 - f. Next Generation Sectors and Industries including:





- Forestry and Carbon Offsets
- Agriculture and Sustainable Green Certified Products
- Renewable Energy and Efficient Technologies
- Sustainable and Alternative Fuel Options (e.g. Biofuel)

5. National Strategy Responsible for Sustainable Development

Policy Alignment:

- i. The National Strategy for Responsible Sustainable Development (StaRS) sets the framework for green growth and green economy as a paradigm shift to promote clean, environmentally friendly development to address key development issues of environmental sustainability and climate change.
- ii. STaRS is PNG's national strategy towards achieving the United Nations Sustainable Development Goals (SDGs).
- iii. The SEZDP is directly aligned to the StaRS through the following provisions of the policy:
 - a. Goal 11 - Promote Sustainable Development (Social and Environmental)
 - b. Environmental Practice and Compliance (EPC) Regime
 - c. Green and SMART solutions to leapfrog PNG in its development timeline
 - d. Climate Change Management (CCM) Regime
- iv. The SEZDP is committed to its alignment with the STaRS and is aligned towards achieving the United Nations Sustainable Development Goals (SDGs) through the development of SEZs.

6. Connect PNG Development Program (2020- 2040)

Policy Alignment:

- i. The Connect PNG Economic Road Infrastructure Development Program (Connect PNG) is the National Government's flagship program to connect PNG to address long stranding accessibility issues affecting development.
- ii. Connect PNG is aligned to connect the economic corridors identified in the PNGDSP (2010 - 2030) with a comprehensive road and bridge network to support key economic sectors.





- iii. The SEZDP is directly aligned with Connect PNG's infrastructure development approach to support the expansion, connectivity, and development of the economic corridors under the SEZ development vehicle.
- iv. The SEZDP has provisions for 'Infrastructure Development Plan' (IDP) through the economic road and development approach to connect the economic corridors to support proposed SEZs.
- v. In advancing the IDP, the SEZDP is aligned for direct cooperation between SEZA and Department of Works and Highways.
- vi. The Connect PNG program to connect the proposed SEZs is shown in Figure 14.0. It is estimated by Department of Works and Highways to connect all SEZs at a cost K20 billion over the next 20 years.

7. Other Connectivity Programs, Plans and Strategies

- i. The SEZDP has provisions for 'Infrastructure Development Plan' (IDP) through a multi-modal infrastructure development approach to connect the economic corridors with critical enabling infrastructure and services.
- ii. Complimentary to Connect PNG and in advancing the IDP, the SEZDP is aligned for direct cooperation between SEZA and other key State Departments, Government Agencies and State-Owned enterprises.
- iii. The National Government has selected 24 potential SEZ sites. The proposed sites are all aligned to the economic corridors as captured and planned in the PNG Development Strategic Plan (2010-2030).
- iv. In developing the economic corridors, SEZDP is to be aligned with concerned economic sector programs for both the commodity and service sectors. SEZ is to provide the investment regime to drive growth of respective economic sector priorities through industrialization and leap frogging technologies.
- v. SEZ is a key economic policy tool and therefore needs to be incorporated as well into key development plans and strategies at the provincial, district and local level Government levels. This is consistent with Medium Term Development Plan IV (MTDP IV) 2023 - 2027.
- vi. Connectivity in opening up access to the economic corridors is being implemented by Department of Works and Highways under the Connect PNG Development Program (2020- 2040) and other key enabling economic infrastructures are implemented under Department of Transport and State-





- vii. Owned Enterprises and Corporations including National Airports Corporation, PNG Ports Corporation Limited, PNG Power Limited, Water PNG Limited, PNG DataCo, Telikom PNG Limited, Kumul Consolidated Holdings Limited and Kumul Petroleum Holdings Limited.







8. Medium Term Development Plan IV (2023- 2027)

Policy Alignment:

1. SEZDP and MTDP IV are both aligned to Vision 2050

MTDP IV is aligned strategically with the aspirations of Vision 2050 to make PNG a “smart, fair, healthy happy society” and to rank in the “top 50 countries in the United Nations Human Development Index” by 2050. The SEZDP is also aligned with Vision 2050 as described in Subsection 6.2.

2. Vision of SEZDP is directly aligned to the Theme of MTDP IV

In achieving the aspirations of Vision 2050, MTDP IV is strategically aligned with the theme “National Prosperity through Growing the Economy”. The SEZDP is aligned to the theme for MTDP IV through its vision for “a high priority economic development program” to grow the economy and align the course of the nation towards economic independence so that the aspirations of Vision 2050 can be achieved.

3. Goals of SEZDP are directly aligned to Theme of MTDP IV

The theme of MTDP IV directly captures the National Government’s strategic intent to invest in key priority areas to “trigger national growth, transformation and prosperity”. The SEZDP through its goals presents a strategic economic investment program to capture the same investment priorities of the Government.

4. SEZDP is aligned with the Objectives of MTDP IV

- i. The main objectives of the MTDP IV are:

- a. Grow the GDP from K164B to K200B by 2030 by doubling the nation’s internal and export revenues, and
- b. Creating one (1) million new jobs by 2027.

- ii. Global experience has shown that SEZs may take up to 10 years to come on stream successfully to realize their investment and economic potential. The Mission of the SEZDP is therefore aligned closely with the objectives of MTDP IV for the Post-2030 period to achieve by 2050 following targets:

- a. Grow the GDP to greater than K200B
- b. Create more than one (1) million new jobs





- iii. In order to achieve the objectives of MTDP IV, SEZDP is aligned to the following Strategic Priority Areas (SPA).

SPA 1 - Strategic Economic Investment

- a. The SEZDP is aligned to broaden the economic base by downstream processing and export to both the domestic territory and international markets in key sectors where PNG has a comparative advantage. This alignment is enabled through the creation of a flexible SEZ regime to enable strategic SEZ investments in the key sectors as follows:

No.	SPA 1 Key Economic Sector	SEZDP Type of SEZ
1	Agriculture and Livestock	Agriculture Park
2	Fisheries and Marine Resources	Marine Industrial Zone
3	Forestry	Forestry Park
4	Mining	Metals Refinery Park
5	Petroleum	Petroleum Park
6	Clean Energy	Energy Park
7	Tourism	Tourism Zone
8	Banking and Finance	Finance SEZ
9	Arts and Culture	Arts and Crafts Park
10	Manufacturing	Industrial Park, Bonded Area
	Deliberate Intervention Programs	SEZDP Policy Reference
11	DIP 1.6: MSME	5.5 Linkages
12	DIP 1.8: Trade and Investment	3.5 Goals- 1, 2, 4, 5, 6
13	DIP 1.10: Land Development	5.1 SEZ Land
14	DIP 1.11: Downstream Processing	3.5 Goals- 3

Table 12.0: Key SEZ Policy Interventions to SPA.

- b. MTDP IV commitment to SEZDP under DIP 1.8 Trade and Investment is as follows:
- Special Economic Zone Development is 1 of the 3 specific investment programs under Trade and Investment
 - Key Performance Area with target of 3 SEZs to be developed per annum totaling 15 SEZs by 2027
 - Approved Multi-year Funding Allocation totaling K320M in 2027
- c. SPA 1 makes direct reference to its alignment to the SEZDP by stating that:





DIP 1:11 “Investments in the downstream processing of commodities from agriculture, forestry and fisheries, as well as minerals and petroleum will add value to our exports and help reduce our dependence on imports. These initiatives will be boosted through the establishment of *Special Economic Zones* and relevant infrastructure (SPA 2).” (pg. 28)

“... Investments in the downstream processing of natural resources to add value to our products for export promotion or import substitution is an integral focus of the Government. These include the renewable sectors of agriculture, forestry and fisheries including minerals and petroleum. With the potential of every Province to be an industrial hub or be host of a *Special Economic Zone*, the Government will encourage private sector participation in downstream processing and provide a conducive environment through policy, regulation, investment incentives and equity participation.” (pg. 29)

SPA 2 - Connect PNG Infrastructure

- d. SEZDP is aligned with the Connect PNG Development Program as described in Subsection 5.3.2, Section 6 and 7. These provisions are identified as critical enablers in implementing SEZs and are aligned with SPA 2 through connectivity established through:
 - DIP 2.1: Connect PNG - Road Transport
 - DIP 2.2: Connect PNG - Sea / Water Transport
 - DIP 2.3: Connect PNG - Air Transport
 - DIP 2.4: Connect PNG - Telecommunication and ICT Connectivity
 - DIP 2.5: Connect PNG - Electrification Roll-out
 - DIP 2.6: Connect PNG - Water, Sanitation and Hygiene (WaSH)
 - DIP 2.7: Connect PNG – Housing
 - DIP 2.8: Connect PNG - Urban Townships and District Growth Centres
- iv. Specific to Special Economic Zones, the SEZDP is directly aligned to SPA 2 through:
 - DIP 2.9: Connect PNG - Special Economic Zones (SEZs).

SPA 5 - Rule of Law and Justice

- a. SEZDP has provisions for Special Security Detailing (SSD) Regime to address law and order issues, and transnational crimes both on and off-site.





b. SEZDP is aligned with SPA 5 through:

- DIP 5.1: National Policing and Crime Prevention Program

SPA 6 - National Security

a. SEZDP has provisions for Special Security Detailing (SSD) regime to protect national security interests at Border Trade SEZs and outlets to international export markets.

b. SEZDP is aligned with SPA 6 through:

- DIP 6.1: National Security and Defence Corporation

Border Trade Zones (BTZ) have provisions for military border establishments. Consistent with DIP 6.1, defence cooperation is to be pursued at BTZ to secure cross border trade and enhance bilateral or multilateral partnerships.

- DIP 6.2: Immigration

SEZDP has provisions for Special Immigration (SI) regime under its one-stop-shop service. Key reforms including SEZ Visa and SEZ Work Permit are to be instituted for employees moving in and out for SEZ investment, employment, and related purposes. SI is also to cater for cross border movements at BTZ.

- DIP 6.3: Cyber Security

SEZDP has provisions for SMART solutions to drive SEZ administration and operations. The SSD regime therefore has provisions to address cyber security and safeguarding of digital technologies to reduce exposure of SEZs, SEZA and Competent State Agencies to cyber security risks.

- DIP 6.4: Biosecurity

SEZDP has provisions for 'Special Bio-security' (SB) regime to address spread of pests and diseases of animals, plants, fish and marine species. Consistent with DIP 6.4, the BS regime is focused on; agriculture, livestock, fish and marine products entering and leaving SEZs for the domestic territory or international markets.





- DIP 6.5: National Intelligence

Integral to SPA 6, the SSD regime has provisions for joint security cooperation including the National Intelligence Organization (NIO) to address national security issues at Borders SEZs and at the entry and exit points of international trade.

SPA 7 - National Revenue and Public Finance Management

a. SEZDP is aligned to explore and develop a new revenue source through the 'Special Economic Zone Taxation' (SEZT) regime. The SEZT is to be a new category of taxation under the current taxation system of PNG.

b. Specific to SPA 7, the SEZDP is aligned as follows:

- DIP 7.1: Tax Compliance and Administration

The SEZDP has provisions for cooperation between SEZA and IRC to Develop and administer the SEZT in key areas of tracking fiscal incentives, collecting taxation revenue, management and reporting for compliance of SEZ investors.

- DIP 7.2: Customs Compliance and Administration

The SEZDP has provisions for 'Customs Clearance Management' (CCM) regime to be developed and administered between SEZA and PNG Customs Service. The CCM regime is to ensure compliance to Customs requirements in movement of goods between the SEZs, domestic territory and international markets.

SPA 8 - National Government, National Statistics and Public Service Governance

a. SEZDP has provisions for SMART solutions as part its Standards Regulatory Function to guide the operation and administration of SEZs.

b. Specific to SPA 8, the SEZDP is aligned as follows:

- DIP 8.1: Integrated Digital Government System





SMART solutions are centred around 'Internet of Things' (IOT) as the core technology of digital transformation and would be the heart of digital governance of the SEZDP.

SMART solutions are to be regulated to guide operations of SEZA, integrated operating systems with Competent State Agencies, and operations of SEZs by operators and users.

SPA 9 - Research, Science and Technology

- a. SEZDP has provisions for 'Research, Science and Technology' (RST) in Goal No: 8. RST is to be driven by SEZA to work in close cooperation with zone investors and enterprises, Competent State Agencies, key Government institutions and development partners to improve all aspects of the SEZDP. Consistent with SPA 9, the SEZDP embraces RST as integral to the success of SEZ development in PNG and ultimately fundamental to the growth and transformation of PNG into a smart Nation.
- b. SEZDP embraces RST in all aspects of development relevant to SEZs and associated development aspirations. Hence, SEZDP embraces all forms of research under SPA 9 where shared common interests are anticipated in:

- DIP 9.1: Medical Research

Science and Technology Park as an SEZ Type is aligned for innovations in knowledge-based institutions including universities.

- DIP 9.2: Environment and Bio-Science Research

SEZDP has provisions for Environment so research into environment friendly technologies including green and SMART solutions is relevant to protect PNG's biodiversity and promote sustainable development.

- DIP 9.3: Agriculture Research

Agriculture Park SEZ would develop entire supply chain from production to processing and export. Research is therefore highly necessary to support the commercial agriculture focus of the SEZDP to supply the needs of the domestic market and international export markets.

- DIP 9.4: Engineering and Technology Research





Planning, design, and implementation of SEZDP has direct applications for sustainable infrastructure and green security, and ICT applications to guide the development, operations, and administration of SEZs.

- DIP 9.5: Socio-Economic Policy Research

Socio-economic policy research is relevant to SEZDP within the PNG context and key aspects of the research in areas of economy, demographics, social aspects of people's livelihoods have direct relevance to SEZDP. The Foundation and succeeding SEZ policies, development strategies and legislative framework need socioeconomic research data to guide the SEZ development regime to be pragmatic and inclusive of the aspirations of the people of PNG, especially at SEZ localities.

- DIP 9.6: Food Security

Food security is at the heart of the SEZDP. Goal No: 3 aligns the SEZDP to "promote downstream processing for import substitution". This goal is specific to food security need to feed the growing population through commercial farming of main food items including rice, poultry, meat, milk, and vegetables.

SPA 10 - Climate Change and Natural Environment Protection

a. The SEZDP is Pro 'Climate Change and Natural Environment Protection' through interventions in climate change and environment as integral to the SEZ regime.

b. Specific to SPA 10, the SEZDP is aligned as follows:

- DIP 10.1: Climate Change Mitigation and Adaptation

SEZDP has provision for a 'Climate Change Management' (CCM) regime to promote climate conscious and resilient interventions in the; planning, design, construction, and operation of SEZs.

SEZDP is focused on sustainable development and is inclusive of the climate change mitigation commitments on; "Agriculture, Forestry, Land and other Land-use and Energy (electricity) sectors with a carbon neutral focus.

SEZDP is inclusive of the 3 out of the 4 development sectors of the nine priority areas of adaptation which include Infrastructure, Agriculture and





Transport. The CCM regime is further open to all adaptation measures to address Climate Change Adaptation and Mitigation.

- DIP 10.2: Environment Protection

SEZDP is inclusive of an 'Environmental Practice and Compliance' (EPC) regime to guide the planning, design, construction, and operations of SEZs. This is an intervention to protect the environment and PNG's rich biodiversity for the future generations.

- DIP 10.3 Natural Disaster Management

SEZDP through the SSD regime has provisions to address key issues in Natural Disaster Threats and Response. This provision is part of the security measure of the SEZDP and is to guide the planning, design, construction, and operation of SEZs to be responsive to the vulnerabilities from natural disasters.

SPA 11 - Population, Youth and Women Empowerment

- a. The SEZDP is focused on empowerment of the local population through key interventions in job creation and linkages to the national economy. This is a contribution towards sustainable development and empowering participation of a productive population inclusive of the youth, women, disable and the vulnerable
- b. Specific to SPA 11, the SEZDP is aligned as follows:

- DIP 11.1: Sustainable Population

SEZDP targets economic empowerment of the local population and is inclusive of the youth through employment and sale of local produce from traditional farmlands to SEZs for processing and export. This is consistent with the Mission and Goal 4 of the SEZDP.

- DIP 11.2: Youth Development and Labour Mobility

The SEZDP supports empowerment programs including skill building initiatives. The approach is through job-oriented skills training. The mission of the SEZDP is to create direct employment of citizens, Goal No: 7 is to





“Generate Skilled Local Employment” and Goal No: 9 is to “Promote Knowledge and Skills Transfer.”

- DIP 11.4: Women Empowerment

The SEZDP empowerment programs are inclusive of women participation through employment and business participation as Zone Users or supply chain service providers.

SPA 12 - Strategic Partnership

a. The SEZDP is strategically aligned with participation of the Private Sector and foreign Development Partners as integral to the success of SEZs and consequently to “advance PNG’s economic, development and other strategic interests.”

b. Consistent with SPA 12, the SEZDP is aligned as such:

- DIP 12.1: Foreign Relations

The SEZDP is focused on strategic interests to promote investment and trade. Key interventions include:

1. A “Market Access” (MA) Regime is to be instituted for the SEZDP to promote local products and service to international markets. MA regime is inclusive of negotiations through foreign missions, bilateral and multi-lateral partners.

- DIP 12.2: Development and Economic Cooperation

The SEZDP has provisions for Government-to-Government SEZs to promote investment and trade with bilateral and multilateral partners. Engagement of development partners to access financial markets and facilitate international trade is relevant to the SEZDP.

- DIP 12.3: Private Sector

Private SEZs and Public Private Partnership SEZ models are specific for private sector participation to facilitate both domestic and foreign direct investments in SEZs.





5. SEZDP IS DIRECTLY ALIGNED WITH THE STRATEGIC INVESTMENTS OF MTDP IV

- i. Strategic Investments in MTDP IV total K51 billion over the medium term and will be funded at over K10B annually. These investments will target the 12 SPAs.
- ii. The SEZDP is directly aligned with 10 SPAs and all key provisions of the SEZDP are included in the Investment Plan for MTDP IV.
- iii. Specific to the strategic investments of MTDP IV, the SEZDP is directly aligned for funding under the following SPAs:

Strategic Investments of MTDP IV inclusive of SEZDP Priorities	
SPA 1	SPA 8
SPA 4	SPA 9
SPA 5	SPA 10
SPA 6	SPA 11
SPA 7	SPA 12

Table 13 .0: Strategic Investments of MTDP IV by SPAs.

9. Papua New Guinea National Content Policy for Resource Sectors 2023

Policy Alignment:

1. The intent of the Papua New Guinea National Content Policy for Resource sectors 2023 (PNGNCP) as an umbrella policy framework is to promote inclusivity and active participation of Papua New Guineans in major resource development projects whilst forging strategic partnership between the project developers, the State, and the landowners.
2. Not all SEZs are major resource projects but the SEZDP is aligned with the intent of the PNGNCP in ensuring that the SEZ development models adopted for PNG are inclusive of the aspirations of the Government and the people at SEZ project localities as key stakeholders, especially customary landowners, and citizens in general.
3. The PNGNCP is based on Six (6) Key Policy Focus Areas (KPFA) that the SEZDP is closely aligned with.

KPFA 1 – Domestic Procurement of Goods and Services





The SEZDP is aligned to KPFA 1 as follows:

- i. “Investing companies are to procure goods and services that are produced or available locally.”
- a. Goal No: 4 of the SEZDP promotes “Development of a Productive Domestic Market”. This goal is aligned towards fully utilizing local supplies to ensure the domestic economy builds its capacity in terms of production and supply of goods and services to sustain the demand for supply chains to SEZs.
- b. Implementation Policy No: 5 of the SEZDP specifically aligns with “Linkages to the National Economy” (LNE). SEZA is to develop an LNE regime to ensure backward and forward linkages are created to engage local participation in SEZs. .

KPFA 2 – Supplier & Entrepreneurship Development

This KPFA 2 is to encourage and support capacity building programs for national firms to meet global quality standards in supplying goods and services to resource development projects. Therefore, the SEZDP aligns with this KPFA through its primary Goal 5 Enhance National Competitiveness particularly for national firms supplying into the industries operating within the designated SEZs.

KPFA 3 Employment Opportunities for Papua New Guineans

This KPFA 3 encourages first right of employment opportunities to equally qualified and experienced to be recruited on merit from general labour to supervisory and management positions within the operations of a resource developer.

The SEZDP is aligned to Pillar 2 as follows:

- i. “Investing companies offer first right of employment opportunities to qualified and skilled PNG Nationals as well as those that are semiskilled and unskilled for general labour.”
- a. This Mission of the SEZDP targets direct increase in employment of citizens through creation of over 1 million jobs by 2050.
- b. Implementation Policy 5 of the SEZDP is aligned by the LNE regime specifically to create more employment for local citizens.





KPFA 4 Skilled Workforce Development

The SEZDP is aligns to KPFA 4 as follows:

- i. The Government will ensure Investing Companies provide training and capacity building programs to induct all employed nationals from general labour to most complex roles and continue to coach, develop, and transfer knowledge, skills, and technologies.
- a. Goal No: 7 of the SEZDP promotes “knowledge and skills transfer” and is aligned to build local capacity to consolidate employment interests of locals. This applies to both national and international firms operating within the zones.

KPFA 5 - Greater Equity Participation by Papua New Guinea

The SEZDP is aligns to KPFA 4 as follows:

- i. “The Government will encourage participation of State Nominee, SOEs, domestic financial institutions, trustees of landowners, landowner associations/companies, and citizens in general to participate in equity acquisitions during project mobilization and/or buy shares from existing shareholders in any resource projects.”
- a. The SEZDP is structured towards equity participation by approved State Entities, Private Local Land Title Holders and Customary Landowners to approved SEZ sites.
- b. Equity participation is based on the four (4) main SEZ Models and equity participation of private nationals and customary landowners is aligned through ‘land to equity participation’ for their registered SEZ leases over approved SEZ sites. State entities are to participate through commercial agreements based on the type of SEZs.

KPFA 6 - Sustainable Development of Project Impacted Communities

The SEZDP is aligns to KPFA 6 as follows:

- i. “The Government will ensure Investing Companies cooperate with the Government in funding and delivering key socio-economic infrastructures for education, health, ICT, transportation, address any environmental and social





issues resulting from a project to improve the socioeconomic status of project impacted communities.”

- a. SEZDP has provisions for Sustainable Development through the Goal No: 11 which “Promote Sustainable Development (Social and Environmental).
- b. The Environment ‘Regulatory Standards’ regime and ‘Environmental Practice and Compliance’ (EPC) regime of the SEZDP have provisions for incorporation of SMART and Green solutions as direct interventions in Sustainable Development of the SEZs.





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