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Investment, Business Development and Impediments to growth –
A PNG Perspective

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Introduction:

I note from the program that I have been given a 40 minute time slot for my address including Questions and discussions afterwards.

Let me assure such an eminent audience such as yourselves here today that I would prefer that we split the time equally between my brief address and discussions afterwards. I therefore intend to talk for no more than 15 - 20 minutes thus leaving ample opportunity for comment on such a wide ranging topic that I have been tasked to give a PNG perspective on to you today.

I also note that the topic of my address is not dissimilar to a group discussion topic to be held later this morning and as I do not intend to take away any of that group's thunder, I will try as much as possible to make my comments more generic rather than too specific without pre-empting any discussion that may be generated from that group.

My apologies before hand to Richard Kassman and Lady Mina Siaguru who will be in charge of that particular group discussion.

The topic Investment, Business Development and Impediments to growth in PNG - covers such a wide ranging array of issues to talk on in such a short time that I feel inadequate already given its' importance (and that of other topic selected for discussions later) to the business community in particular and the wider community and PNG generally.

The good news however is that far more eminently qualified people, some of whom are in the audience have covered the topic more adequately than I would hope to do in the time given and it is certainly not my intention nor do I wish to re-invent the wheel in that respect. Most of the issues that are common have been more than adequately addressed certainly in the Pacific context.

My comments will, as far as expediently possible, be confined to the PNG perspective and that of the business community in general and the Business Council in particular.

In preparing some notes for this address and flipping through the booklet which I am sure everyone here has read before today's forum, I noticed a quotation in the booklet which I would like to read to you in part. It is therefore appropriate for me to start with this quote from the Vice President of the Business Council of PNG, Mr Mel Togolo when he spoke of Investment and Private sector development in 2003.

"The relationship between the private sector and government has always been a relationship where government wants the private sector to be the engine of growth, create employment and make sure there's training and all that paraphernalia that investment takes on. From the perspective of the private sector, the business community wants the government to be more transparent, to think long term and to provide a climate for investment to take place".

That was back in 2003 and the direction and strategies of the business community in general have not deviated too much from those words of Mel who is here with us today.

Let me if I may take it a step further -

The private sector and only the private sector will drive growth provided, of course, certain impediments are removed. I will discuss the issue of impediments later.

The business sector has worked very hard continues to place great emphasis on the need for partnering between the public and private sectors. This means rather than paying lip service to this, particularly on the part of governments, continually working to build and develop dialogue and a closer working relationship in order for governments to provide the climate for investment to take place.

In that sense, we the business community and the Business Council in particular see the role and the development of the annual National Development Forum process and the work of the Consultative Implementation and Monitoring Council (CIMC) as an important step in forging linkages between both sectors.

Whilst these forums can be and have been described as talk fests in the past, the Business Community views this forum (the NDF) and the linkages created under the CIMC process as important developments in the dialogue between government, private sector organisations and other civil society groups.

In terms of forging closer linkages and opening communications between all sectors, I personally believe that whilst these are steps, however small they may be, in the right direction. We see these linkages and dialogue as having being continually strengthened over recent years.

This development in recent years needs to be highlighted as a good example of the institutionalisation of dialogue between government and civil society.

In addition, the development of regional forums in the last three years is yet another milestone in creating further linkages and at the same time creating education and awareness in the national processes, particular the budgetary process.

Out of the National Development Forum and the CIMC process and further development of the closer linkages forged between government, business and civil society has been the establishment of the National Working Group on Removing Impediments to Business.

This committee made up of senior business executives and senior public servants has made a number of recommendations to government and the NEC most of which have been accepted. Whilst the challenge has been in the implementation of decisions, it is important that the Secretariat of this Committee continues to be strengthened. We believe that this is taking place.

We as a Council remain committed to this process with the President of the Business Council as the permanent Co chair of this Committee. As the recently elected President of the Business Council I attended my first meeting last month and in that role hope to continue the good work made by my predecessors in Winifred Kamit and Mel Togolo.

I'll make some reference to that group and a brief update a bit later on. Some of the impediments raised at that committee can perhaps be discussed in more detail in the working group later this morning.

So far I have concentrated the focus of private sector partnership with government as building dialogue and developing/forging closer linkages between both sectors. I believe this to be of utmost importance and it is imperative that the mutual trust and cooperation is continually developed on an ongoing basis for this is where the foundation of private public partnership is built.

The government wants private sector to be the engine for growth and if this is to happen the government must facilitate private investment. But ultimately it is the private sector that drives growth. In this sense therefore there must be a partnership.

Let me turn to the topic of investment and business or private sector development - really these two topics are interrelated. Any discussion on investment must clearly be focussed on private sector development.

I might leave the mechanics of a detailed discussion to the group however allow me to make a general remark that one of the most critical issues for government to facilitate investment is predictability. This means not changing the goal posts. It also means institutions of government facilitating the market and competition to allow a small investment environment like ours to perform at its best.

The drivers for growth in PNG are fairly predictable and well known to this audience. However let me just mention them briefly for the purposes of this exercise: Agriculture, Fisheries, Forestry, Mining & Petroleum and Tourism. One of these topics, Agriculture, will be discussed in full later whilst the others speak for themselves.

It may be appropriate for me at this time to touch on impediments to growth in PNG. Again, these are well known. But the main ones are:

- Infrastructure
- Regulatory barriers
- Land issues

The Pacific 2020 highlights others and some of the following.

Poor governance - and the need to strengthen the institutions of government.
May I quote directly from the Pacific 2020 report.

“Market institutions need to be allowed to work better by undertaking reforms that improve infrastructure, reduce regulatory barriers and improve the protection of property rights, especially land”

Infrastructure - when talking about infrastructure, we include and must mention transport. In the category of others include services such as Electricity, Communications and water. The inability of these state owned enterprises to deliver services greatly affect the business community and are therefore an impediment to growth.

In terms of the protection of property rights, with particular reference to land, this is one of major impediments to doing business in PNG and is on the ongoing agenda of the National Working Group referred to earlier. Right at this time, there is a Land Task Force in place which is attempting to instil some sense in to land administration and do an audit on all government land. It is my understanding that in terms of its audit on government land, it will try and issue forfeiture notices to those who have not paid rent or met improvement covenants and then issue through an auction system which protects low covenant home buyers.

In making these comments I hope I am not pre-empting any discussions that might take place later

As I said I do want to as much as possible confine my brief address to general comments.

Another impediment to growth is regulatory barriers - the private sector (and only it) will drive growth if business costs are removed and government HELPS rather than hinders.

I mentioned earlier that whilst there is cooperation and dialogue is being fostered between the two sectors, there are still challenges and implementation of the joint committee resolutions is a major one.

Public servants should be saying “how can I help you” and if there is a problem, make an attempt to find a way to solve it rather than delight in putting barriers in the way of potential investors.

In that sense I was embarrassed to read in the Pacific 2020 report (page 78 for your information) that PNG is the second worst in the Pacific for doing business! Behind East Timor and Fiji being the best place to do business in the Pacific!

Let me conclude with what I believe to be good news and a real private sector investment growth opportunity that exists in PNG.

This relates to the reforms associated with state owned enterprises. This is referred to in Pacific 2020 report however whilst the jury may still be out on this topic, I believe that some dialogue should be commenced between both the private sector and the government on the future of the state owned enterprises.

Such discussions as highlighted by case studies in other Pacific countries have shown that the move towards taking government controls away from these institutions has improved services and has allowed government to concentrate on developmental issues and above all ensure that such enterprises are being run by people who know what doing business is all about - the private sector!

Ladies and gentlemen, I thank you for listening.

(Quote - Government has no business being in the business of running business!)