Development priorities for 2017-22
Ideas from PNG’s business community
June 2017
Business Council Papua New Guinea

In 1995, the establishment of the Business Council Papua New Guinea was applauded by government leaders and business executives. This was largely due to its desire to build a robust government and business dialogue. Membership of the Council consists of major corporations in the agriculture, manufacturing, services, and extractive industries; State Own Enterprises; government regulators; Small Medium Enterprises and affiliated business associations.

Complementing this diverse membership is a strong Executive Committee and Secretariat comprising of:

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The unique mixture of national and regional business leaders, skilled professionals, and the generous support of our members has well positioned the Council in actively providing robust solutions on the economy, building partnerships to invest in social issues, and promoting domestic and foreign investment in the country.

The Business Council PNG looks forward to working with our elected leaders and the government to promote a prosperous Papua New Guinea.

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Foreword

Papua New Guinea has a long way to go if it is to reach its development goals. Many current indicators paint a rather bleak picture of PNG’s economy, its community and its industry base. However at the same time the land abounds in opportunities for future development.

These opportunities, if harnessed, will go a long way to ensuring all of PNG’s citizens are afforded basic rights, that all have access to an equitable and efficient economy supported by robust and reliable institutions, and that all can benefit from trading in a dynamic and competitive marketplace.

This is the vision that the Business Council of PNG has for our future, and we know the government shares our vision.

This report marks the culmination of some three months of comprehensive consultation across a breadth of the PNG business community.

On the 13th of March and 15th of June 2017 workshops were held which brought together attendees from various companies, NGOs and business associations in PNG. The workshops were complemented by a series of surveys, small focus groups and one on one consultations.

This document provides the PNG business community’s perspective on four key elements of PNG’s private sector development:
   1. Current state – where are we now?
   2. Future state – where do we want to be?
   3. Barriers – what stands in the way of achieving the future state?
   4. Enablers – what factors will help us to achieve the future state?

The document concludes with a summary dashboard and preliminary action plan, which we hope will be a useful first step in establishing a collaborative and productive private sector strategy.

The Business Council of PNG looks forward to working with government in moving PNG forward. It won’t always be easy, and we won’t always agree, but if we work together we can transform PNG from a Land of Opportunity to a Land of Success.

David Toua
President
Business Council of Papua New Guinea
1 Background

1.1 Policy context

A prosperous PNG means a prosperous business sector. And a prosperous business sector means a prosperous PNG. This document sets out the business community’s ideas for achieving both.

Over the past few months, the Business Council of Papua New Guinea, with the assistance of Deloitte Touche Tohmatsu, has conducted a series of workshops, surveys, small focus groups and one on one consultations, all designed to bring together the views of PNG’s business leaders into one easy to read summary document.

It is worth noting from the outset that the past decade or so has seen a multitude of plans, strategies and guiding documents for various elements of PNG’s economic, social, political and business architecture.

It is not the purpose of this document to compete with any of the previously released documents, each of which are far more comprehensive than the current document. In fact, most of the points raised in this document are not new, and some have been recognised and even acted on for several years.

The purpose of this document is simple. In PNG, and indeed all countries, collaboration between the business sector and political leaders is vital to ensuring sustainable economic growth that benefits all participants in the economy. This initiative hopes to begin a period of open, honest and fruitful dialogue between the business community and our elected leaders.

PNG is often called the land of opportunity, and rightly so. It has an abundance of natural beauty, raw materials, and productive capacity (via both land and labour), all ready and waiting to be utilised to their full potential. It is also ideally located in the heart of the world’s fastest growing region, providing tremendous potential for trade, travel and shipping routes.

A few simple statistics highlight PNG’s opportunity. It has a young population; some 40% of the population is under the age of 15, and 60% under the age of 25. It has an abundance of un-utilised, potentially productive land; some 97% of land does not currently have any form of title or ownership attached to it. And finally, it has an ever expanding middle class.

While PNG’s past and future growth is tied in large part to the extractive industries, harnessing just some of the opportunities noted above will go a long way to reducing the nation’s dependence on the resources sector and developing it into a productive and diverse economy.

However in some sectors there is a degree of blind optimism or, in the words of one former US Federal Reserve chairman, irrational exuberance. Focussing solely on PNG’s opportunities without also considering the barriers that stand in the way of these opportunities is not accurate, and nor is it helpful.

There are barriers to growth present in many aspects of PNG’s economy which have the potential to hinder or even prevent the harnessing of those opportunities.

Some of these barriers are government driven, some are business driven, and some are culturally driven. Some have elements of all three. The purpose of this document is not to allocate blame for the barriers nor even to assign responsibility for addressing them.

The purpose of this document is to present the PNG business community’s thoughts and ideas for progressing PNG’s economy. It is recognised that not all of the ideas presented here will be practical or feasible in the short term. It is also recognised that not every possible barrier or proposed solution is covered in this summary document.

But to the extent that this document establishes a collaborative and open dialogue between the business community and the new political leadership, then this initiative will have achieved its purpose.

1.2 Layout of this report

This report is presented across two dimensions – chronological and thematic.

The chronological dimension begins by defining the current state (where are we now) as distinct from the ideal future state (where do we want to be). In other words, it separates point A from point B. In between point A and point B, two elements come into play. First, barriers are defined which are likely to hinder or even prevent achievement of the future state. Second, enabling factors are considered which will help either in alleviating the barriers or achieving the future state.

The second dimension considers four fundamental elements of sustainable economic development – provision of infrastructure and basic services, government and regulation, broadening the industry base, and productivity and employment. Each of these four elements is considered against each of the chronological dimensions noted above, forming the sub chapters of this report.

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2 Jones & McGavin 2015, Grappling Afresh with Labour Resource Challenges in Papua New Guinea

Just two of the many diverse faces of PNG

Those who are on the cusp of the formal sector...

...and those who are already in the formal sector
2 Current state

2.1 Provision of infrastructure and basic services

Infrastructure around the country is either non-existent in some instances or in urgent need of maintenance. Key enabling pieces of infrastructure such as ports, roads and airports form the backbone of a productive economy.

It was commented that one practical impact of a lack of infrastructure is that it hinders the implementation of policy. An example was provided of the Green Revolution which aimed to grow vegetables in the Highlands to deliver to Lae for export; a great policy initiative but ultimately hampered by a lack of infrastructure.

PNG also lags behind in many of the basic services required for sustainable economic development. Only 13% of the country is electrified and 90% of PNG citizens do not have access to the internet. Only 40% have access to an improved water source, and 19% to improved sanitation.

Finally, an estimated 40% of Papua New Guineans fall below the globally defined criteria for extreme poverty, living on less than US$1.90 per day in international purchasing power parity terms. These are sobering figures for a country hoping to achieve middle income status by 2030.

Making the ‘right’ infrastructure investment

Wisely made infrastructure decisions can cause an economy and a people to flourish. At the same time though, poorly made decisions can result in wasted funds, unfinished buildings, and foster a raft of social problems. Wise infrastructure investments are not ‘spur of the moment’ decisions; they are the result of carefully considered analysis and planning to ensure the investment under consideration is the best use of available resources.

Once the requisite analysis has been conducted, it is also important to ensure infrastructure investments are fit for purpose. The experience of PNG Ports can provide some lessons here. PNG Ports, the state owned entity charged with operating PNG’s port facilities, has made great improvements in its internal governance over recent years. But it is let down by infrastructure failings and some ill-conceived purchases of shore-side equipment.

For example, the surrounding and facilitating infrastructure for the Lae Port, the major trading and investment hub for PNG, is particularly lacking. The roads leading to the Port are in a constant run down state, with pot holes limiting the ability for trucks to traverse through to the port which directly affects turnaround times for transport operators. It is worth noting that the current licensed stevedoring and terminal operators within the Port itself have invested heavily in equipment, systems and human capital development, to a point where they efficiently manage throughput to levels comparable with similar operations in the Asia Pacific region. But they are let down by a lack of storage and warehousing facilities (e.g. cold storage) which limits the type of trade the Port is able to handle, and a lack of connecting infrastructure which limits the reach of imports and exports (it is often cheaper for firms in Port Moresby to import from Indonesia or Malaysia rather than purchase products from Lae).

There is no doubt that infrastructure investment is important, but just as important is ensuring it is the right investment.

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4 World Bank World Development Indicators

5 Ibid
2.2 Government and regulation

One of the key foundations of sustainable economic growth is a supportive and facilitative government sector. This includes not just a stable government but also active and supportive institutions. Institutions that ensure the various actors in the economy operate not just to the best of their own ability, but also in the interests of society as a whole.

For the purposes of this report, we consider institutions as comprising three distinct categories – regulation, governance, and rule of law.

Effective regulation can facilitate and encourage private sector development. Ineffective or excessive regulation can have the opposite effect. In PNG, there are several instances where a review of the regulatory framework is needed to ensure optimal regulatory coverage. In general, it can be said that while regulatory frameworks are generally present, they are frequently lacking in coverage or are out of date.

"Effective regulation can facilitate and encourage private sector development. Ineffective or excessive regulation can have the opposite effect."

Governance refers both to the development of policies – the instruments through which government is effected – and to the procedures and processes through which the government practically operates.

In both of these important aspects PNG’s current situation could be improved. In some sectors, policies are quite effective but are hampered by a lack of practical implementation (be it through lack of capabilities, lack of political will, or some other reason).

In other sectors, policies are implemented or proposed which could ultimately have unintended consequences. Proposed amendments to the PNG Mining and Land Acts, for example, have been criticised as having the potential to dramatically reduce the attractiveness of PNG as an investment destination.

The rule of law is multi-faceted and requires collaboration between all actors of the economy. It has both physical and judicial aspects – physical aspects supported by a stable, effective and well trained police force; and judicial aspects supported by a competent, effective and timely judiciary. PNG’s security issues are well known and have been studied extensively over many years.

Business development and the rule of law go hand in hand. Participants in the economy need to know that if
they enter into a contract with another party, a court system exists to enforce that contract; they need to know that their fundamental rights (both human rights and legal rights) will be protected by the legal system; they need to have confidence that their business dealings are being conducted in an open, transparent and honest manner; and they need to have freedom of movement - freedom to conduct their business dealings without fear of hurt or hindrance.

2.3 Broadening the industry base

The extractives sector accounts for some 28% of PNG’s GDP. The next most significant sectors include agriculture (23%) and construction (17%). Of course, the 17% share for construction does not consider the proportion of construction that is dependent on the extractives sector. Similarly such statistics do not account for the proportion of other sectors (services, manufacturing, etc.) that are driven by extractives activity. In other words, extractives’ share of the economy is far greater than official GDP figures suggest.

Broadening PNG’s industry base will be challenging for two reasons. First, agriculture is primarily focussed around subsistence farming and its growth is limited by a range of factors, from regulatory and physical barriers to skills shortages.

Second, growth in construction requires growth in other industries that will demand construction activity. And the extractives sector is unique in its large scale construction needs; for example, it would take a lot of dwellings and shopping centres to generate as much construction activity as a single mine. Thus, in the absence of extractives activity it is difficult to see large scale construction growth in the short term.

Notwithstanding the challenges, agriculture presents the most immediate opportunity for broadening PNG’s industry base, for the simple reason that the majority of the population is already employed in agricultural activity of some form. The challenge will thus be converting largely informal, subsistence agriculture into formal, income producing agriculture. Consideration of models such as New Britain Palm Oil Limited, which focus on production of high quality and high value agricultural outputs to competitive international markets, will be key.

Tourism is the next sector with considerable opportunity. Although at present tourism in PNG is largely under developed, much work is underway in converting this nascent industry into a significant economic actor.

2.4 Productivity and employment

It is estimated that 40% of Papua New Guinea’s population is under the age of 15 and 60% under the age of 25. It is further estimated that women account for only 27% of the labour force. Finally, the ratio of the informal to formal sector has been conservatively estimated at 80:20 – 2.5 million in the informal sector compared to 500,000 in the formal sector.

These statistics present both a tremendous challenge and a tremendous opportunity for PNG.

Different countries achieve growth through different means. In Australia, for example, growth is achieved mostly through productivity and innovation, because its factors of production (land, labour and capital) are, in a broad sense, already fully utilised.

In PNG, it is also the case that economic growth can be achieved simply by utilising previously idle factors of production. And that growth will be improved if the factors of production are used more effectively (i.e. through productivity growth). This is where having such a youthful population presents PNG with a tremendous opportunity.

The majority of PNG’s young population are not in formal employment at present, so there is certainly the capacity for strong future growth. The challenge will lie in empowering these potential workers to enter the formal economy. A recent survey by Deloitte and the UNDP found that 83% of businesses are discouraged from expanding their headcount simply because they cannot find the skills they need. This also reduces the potential for productivity growth – since the skills being supplied do not match the skills being demanded.

Figure 1: Current state of PNG’s economy

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6 PNG Treasury

7 Jones & McGavin 2015, Grappling Afresh with Labour Resource Challenges in Papua New Guinea
Separating cause from effect – PNG’s foreign exchange shortages

Some reading this might be wondering why there is no explicit mention of foreign exchange shortages. With approximately seven months of import cover remaining, and foreign exchange orders backlogged to the tune of over PGK 2 billion, forex shortages present one of the most immediate threats to PNG’s economy.

There are many practical implications of a foreign exchange shortage. For one thing, it creates downward pressure on the kina – i.e. with fewer units of foreign currency available, traders have to sacrifice more kina per unit of foreign money. This raises the cost of imports (on which almost all sectors of PNG’s economy depend in one way or another) and raises PNG’s susceptibility to external factors (e.g. suppose a one off weather event affected LNG production for an extended period of time). It also reduces PNG’s attractiveness as an investment destination (hardly the image the country wants to portray in the lead up to APEC), and raises the prospects of foreign exchange controls (which have already been seen) and capital flight (e.g. people transferring their bank balances to overseas accounts).

Related to a shortage of foreign exchange is an excess of liquidity in the banking sector. Put simply, PNG’s banks have too much local currency and not enough options to loan it out. Or to put it more formally, inflows of capital to the country’s banks are not matched by corresponding outflows, simply because an unsophisticated consumer and business sector in PNG limits the potential for the banks to generate revenue of acceptable risk. This has a number of implications for the smoothness of the country’s financial sector – one being that it reduces the ability of the Central Bank to conduct effective monetary policy. Another is the potential for inflationary effects – basically too much money circulating in the economy for too few goods.

Almost every time the Bank of PNG releases a monetary policy statement or an economic update, it mentions these twin issues and details the steps it is taking to ameliorate them. This is welcome.

What would also be welcome is a broader acknowledgement that both these issues are symptoms rather than causes of PNG’s economic challenges. Specifically, and at the risk of over simplifying, they are both inexorably tied to the narrow industry base on which PNG depends. A narrow industry base means the economy has fewer avenues of foreign exchange flowing into the country, as well as fewer avenues for the nation’s financial sector to lend the capital it receives. This is heightened by the fact that often inward currency flows from overseas export and investment of resources back into local assets are made in foreign currency (USD) rather than Kina.

Rather than considering forex shortages and excess liquidity in isolation, the business community calls on the incoming Government to focus on a predominant cause of both of these issues – a narrow industry base.

Chapter 4 details several ways that the Government might be able to enable an expansion of the industry base and the business community looks forward to paying an active role in these initiatives.
3 Barriers

A number of barriers exist which, without being addressed, would hinder or even prevent achievement of the priorities.

3.1 Provision of infrastructure and basic services

Papua New Guinea’s fiscal situation presents the biggest single barrier to the provision of infrastructure and basic services. The simple reality is that PNG lacks the financial capacity to provide large scale infrastructure in a regular and reliable manner. And, of course, the same can be said for the provision of basic services that underpin a developed society.

To a large degree this barrier will be alleviated through growth enabling reforms that expand the tax base. However discrete barriers also exist relating to wastage in public expenditure and the allocation of funds between provincial and federal governments.

In addition to there being a lack of funds, more broadly, corruption and wastage means an element of ‘leakage’ in public sector expenditure.

“We probably need a lot more kina than what the Government is collecting just to deliver the spending commitments we have now.”

As will be discussed below, Members of Parliament tend to have greater funding allocations than provincial governments which results in a smaller amount of funds available to fund infrastructure and service delivery outside of the National Capital District.

Finally, it is worth noting that the two issues – infrastructure and services - go hand in hand. Poor infrastructure impedes the delivery of basic services, particularly to rural areas which are further hampered by poor supply chain management.

3.2 Government and regulation

An effective government and regulatory environment is a fundamental requirement of sustainable growth. In PNG, government institutions too often do not provide the requisite degree of support to enable and foster successful business activity.

For example, heightened bureaucracy makes it very hard to change practices – i.e. in many regards the public service is stuck with antiquated procedures because the bureaucracy makes it ‘too hard’ to change. A lack of ‘up to date’ knowledge on the part of senior bureaucrats (e.g. lack of IT skills), and also a fear of losing control are also impediments to government flexibility. The local insurance industry was noted as an example of a sector where regulatory frameworks could be improved to improve business confidence.

A consequence of this lack of flexibility is that it engenders an attitude of finding a way around regulations or laws – be it legally or illegally – rather than working within the existing legal environment.

Further, many of the existing government regulations are either outdated or improperly applied. It was also noted that a number of pending legislative or regulatory amendments have undesirable or unintended consequences, which perhaps reflects a lack of awareness of these potential consequences on the part of policymakers.

It was also commented that a degree of ‘territorialism’ exists within the public service – individual departments consider certain areas to be their responsibility and are thus reticent to engage with other departments even where such engagement would clearly be beneficial form a holistic perspective. To be fair, this is not an issue that is unique to PNG – Australia’s public service is often bogged down by infighting and unproductive relationships both within and between departments.
Finally, District Service Improvement Programs (DSIPs), while well intentioned, often result in Members of Parliament receiving an inordinate degree of power relative to district or provincial governments and unelected officials such as Departmental staff.

"Until we can address how we are going to have stable and secure use of land we are going to have big problems."

Corruption is another key concern when it comes to reforming the government sector. A lack of liability and a lack of accountability on the part of public servants are two areas where corruption is able to continue virtually unabated.

A fundamental requirement of a well-functioning legal system is to provide a disincentive for committing crime. In this regard, PNG’s legal system can in some instances engender an environment where individuals do not face the full potential consequences of committing illegal acts. There is a perception across the business community that in some instances public servants either do not understand or do not bear the full consequences of illegal acts, which fosters an attitude of complacency when it comes to adherence to laws and regulations.

A related concern is a lack of accountability – the ability to underperform at work and receive little to no repercussion. This ties in to job standards that do not enforce appropriate workplace behaviours. In a broad sense this might be termed ‘human corruption’ – not turning up to work, falling behind on work responsibilities, etc.

"A number of pending legislative or regulatory amendments have undesirable or unintended consequences."

Finally, it was noted that often reforms are passed without due process, many of which would not stand up to legal scrutiny. This is an issue not just because of the potential for harmful reforms to be implemented without adequate scrutiny, but also because the time and resources spent passing sub-optimal reforms would better be spent on industry strengthening and empowering reforms.

3.3 Broadening the industry base

As a factor dependent economy, PNG is intrinsically tied to land as a primary growth driver. However it has been broadly agreed that the current approach to dealing with land related issues presents a considerable barrier to development.

In PNG the vast majority of land does not have any form of secure ownership or title attached to it. Thus, while productive activity accounts for a relatively small proportion of land in a geographic sense, there is actually a severe shortage of land available for development or expansion of business activities.

The potential for unintended consequences

There is an old saying in government circles: policy on the run is policy under-done. Policies which are ‘rushed’ through parliament or which lack meaningful and full bodied consultation risk creating adverse consequences which run contrary to the original aim of the policy.

In recent years PNG has seen a number of these policies. Proposed amendments to the legislative frameworks surrounding SMEs, land usage and mining, for example, which aim to create a welcoming and enabling environment for small businesses throughout PNG, has the potential to undermine the original good intentions.

In these instances, constructive and open consultation with industry during the policy development stage could have made things considerably easier going forward.

It is not the purpose of this document to dwell on past mistakes. Rather the purpose of this document is to serve as a call to arms for all participants to look forward to the considerable opportunities PNG has to offer. Open and constructive consultation will be critical for these opportunities to be realised.

We recognise that business and government will not always be in complete agreement on all issues. One thing we can all agree on, however, are PNG’s opportunities. We look forward to working
Amendments to the Papua New Guinea Land Act which aim to restrict foreign ownership of land, or even ownership of land by businesses with foreign shareholdings, were cited as a considerable barrier to development.

More broadly, a lack of clarity over land titles and tenure is a long standing concern not just of the business community but of most Papua New Guineans, presenting a considerable barrier to development.

A further impediment to agricultural development is the skill requirements. With the majority of agricultural participants in PNG engaged in subsistence farming, many rural farmers simply do not have the level of knowledge required to take up commercial scale farming activities.

Finally, although steps have recently been taken to address this issue, the development of key identified growth sectors – such as agriculture and tourism – is hampered by the lack of comprehensive planning and strategising in relation to industry development.

3.4 Productivity and employment

The other primary growth driver in PNG is labour, and in that regard too there exist considerable barriers to the effective and sufficient utilisation of labour.

Skills shortages in PNG are a known issue. According to Deloitte and the UNDP’s recent skills survey over 80% of businesses report that difficulties in finding skilled staff is an impediment to their hiring.

Consistent with those findings, the business community has unanimously cited education and training issues as amongst the most pressing development barriers facing PNG.

However skills shortages are not the only factor impeding employment growth. The skills survey also revealed that human factors – issues such as poor staff productivity, low morale, poor attendance and high turnover rates – impede hiring decisions for a vast majority of employers.

PNG’s educational system was noted as a key barrier. Although considerable amounts of money have been spent on education in recent years, there remains little tangible effects of that spending. Further, the educational curriculum is not aligned with what industry needs and there are rarely changes in curricula to reflect changing circumstances.

Another factor noted was the ‘brain drain’ between cities and rural areas. A lack of education in rural areas, combined with the flock of educated citizens to cities in search of work, results in a rural community which often is lacking not just in terms of schooling but also in terms of basic farming techniques essential to their very survival.

“Education has been lacking in PNG whichever way you look at it.”

Retention of educated nationals is another key barrier to employment growth – many leave PNG because they can find a better lifestyle elsewhere. To a large extent this is a function of PNG’s state of development, and over time as the economy begins to develop and more job opportunities are created for educated Papua New Guineans, this effect should begin to dissipate.

It is noteworthy that there has been no comprehensive employment policy in place since PNG’s Independence (i.e. over 40 years). In the same way as a lack of holistic and comprehensive industry development strategies impedes the development of alternative industries, the lack of a comprehensive and broadly accepted employment policy will neutrally impede the growth of employment in PNG, and should therefore be addressed as a priority.

Finally, the focus on nationalisation (whether intended or otherwise) in key policy documents, such as the SME Policy, is a considerable area of concern for the business community, and has the potential for serious unintended consequences

School facilities in remote parts of PNG often lack the most basic of equipment, creating a considerable barrier to ongoing development.
Figure 2: Barriers to development

BARRIERS TO SUSTAINABLE DEVELOPMENT

Government

- Corruption and wastage
- Rigidity of government
- Insufficient funds
- Imbalance of power
- Staff retention

Economic/Business

- Resource dependence
- Poor planning
- Skills shortages

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4 Enablers

Having identified core priorities and barriers to development, this section considers the key enabling factors that could be enacted in the short term to facilitate priorities or alleviate barriers.

4.1 Provision of infrastructure and basic services

The fundamental economic problem is that limited resources combined with unlimited calls on those resources means some form of allocation or prioritisation has to take place. As noted above, this is the main reason for PNG’s under provision of basic services.

At present there is a need for improvement in the prioritisation of funds. Related to this is the need for improvement in the allocation of funds within government agencies.

Taxation reform, including raising the GST and reducing income taxes, were noted by the business community as a key enabling factor. PNG’s tax system is a tricky issue because the small size of the formal sector means that the tax base is inevitably limited. However, notwithstanding the small size of the tax base, ensuring the tax system is efficient and conducive to sustainable business activity is critical.

It is also worth noting that PNG has signed on to several multilateral obligations – labour conventions from the International Labour Organisation, the UN’s Sustainable Development Goals (SDGs), and the Paris Climate Change Accord to name a few. These international obligations include considerable coverage of basic services – the SDGs, for example, encapsulate all of the metrics noted in Chapter 2 in some form.

It was commented during the workshop that a lack of clarity exists over what exactly PNG has signed up for, and what is required to meet each obligation. However it was commented that the presence of these obligations gives PNG a ‘head start’ in the sense that they include defined targets and key performance indicators for measuring progress against these targets. Thus, meeting even some of these obligations would go a long way toward providing the basic services that are needed if PNG is to achieve its broader goal of becoming a middle income economy by 2030.

4.2 Government and regulation

Given the focus on government in the priorities and barriers section it is unsurprising that policy and regulatory reform was noted as one the primary enabling factors for sustainable business activity.

One of the first things to note is the importance for regular, open and effective communication between the government, the public service, the business community, and the general population. Only when all participants in the economy are fully informed can they contribute to their full potential.

There is a large body of literature dedicated to public sector reform in developing countries, and several of PNG’s neighbours have undergone reforms. Indonesia, for example, has made great strides in improving its public sector since the turn of the century, as has the Philippines in recent years.

Public sector reform in PNG has the potential to be a tremendous enabler of sustainable economic development; formation of a reform committee encompassing experts from both within and outside the public sector would be a useful initiative in the near term to ensure public sector reform remains high on the incoming government’s agenda.

Institutional strengthening and effective corporate governance should be the top priorities of the reform agenda. Specifically, procurement reforms and budget planning processes were mentioned by workshop participants as elements that needed to be sorted out, as were reporting obligations and the provision of clarity on planned reforms.

Improving accountability and morale within the public service were cited as a key means of improving the performance of public servants. This also ties into empowering the public servants to make meaningful changes – public servants have far longer tenures than Members of Parliament as well as, in many cases, far more specialised knowledge. It is important therefore to give them the tools and the support they need to develop effective policies for the betterment of all Papua New Guineans, not just those who fall in an individual MP’s constituency.

Finally, addressing the allocation of funds needs to be a priority of public sector reform, especially given the comments noted above about how funds allocation impedes the delivery of infrastructure and basic services.
4.3 Broadening the industry base

Chapter 2 discussed the potential for development in some of PNG’s ‘alternative’ industries. There are a number of enabling factors, though, that would enhance the capacity for all industries to develop, not just those specifically noted earlier.

First, it is critical to provide stable and secure access to land for development activities. Without secure title, businesses will be either less inclined or actually unable to expand.

Second, production of holistic development strategies will assist in identifying, at an industry level, the specific priorities, barriers and enablers for ongoing development, and will create action plans which map out a way forward in respect of industry development.

Third, in recognising that the majority of existing and potential future employment growth lies in the SME sector, creating an enabling and a supportive policy environment for SME development will be critical. This will be particularly important in agriculture and tourism, where small operators have the potential to make a significant impact on overall industry development.

Finally, it will be important for PNG to look to future growth sectors – sectors such as advanced manufacturing or financial technologies (FinTech), to ensure its industry development is not left behind that of other countries.

More broadly, technological change and innovation provide something of a double edged sword for PNG’s industry development. On the one hand they provide great opportunity for opening up the country – financial technologies, for example, provide the potential for banking services to reach millions of remote communities who otherwise would remain unbanked. But on the other hand, if PNG does not adequately embrace the opportunities that these offer, it risks being left behind as the digital divide grows ever wider.

Agriculture and Tourism: the next growth industries?

The growth of agriculture as a sustainable major industry for Papua New Guinea relies on an environment which allows its participants the commercial freedom to engage in competitive international markets.

Deterioration of critical rural infrastructure has had a major impact on the agriculture industry, resulting in a decline in agricultural production and the destroying of rural income opportunities. In addition, the industry is challenged by an environment of over-regulation and the threat of land tenure - security of State Lease ownership is of major concern to investors.

Sufficient funding will be required for the agriculture industry to grow to its full potential in PNG. A strong private sector investment plan is required, focused on actions to ensure funding is appropriately allocated to critical agriculture infrastructure. Possible approaches might include replicating models that have already been shown to be successful, such as that adopted in regards to palm oil, as well as focusing on the development of capabilities within the smallholder farming sector.

Development of tourism in PNG remains relatively nascent, but there is strong growth potential looking forward and the industry is beginning to see signs of improvement.

There are many factors inhibiting the growth of tourism – ranging from law and order and safety concerns affecting the perception of PNG, lack of industry wide strategies and standards, lack of access to funding for small businesses, and lack of data and research to identify development priorities.

Despite these barriers, tourism is consistently recognised as one of PNG’s considerable growth opportunities looking forward. And it’s not hard to see why – the country is endowed with unrivalled natural beauty and cultural diversity.

We understand that a comprehensive Tourism Sector Development Project has recently been agreed upon with the World Bank, which should help development of the sector in the coming years.
4.4 Productivity and employment

Improving PNG’s education system is a key enabling factor for ongoing sustainable development. Importantly though, it needs to be the ‘right’ education.

Workshop participants commented that at present there is often a disconnect between the education system and the jobs market.

“*We cannot keep putting out students that do not fit into the working environment.*”

Thus, not only is there a need for ensuring the skills being taught at educational providers match those being sought by employers, but there is also a need to ensure sufficient labour mobility exists to meet short term needs in the labour market.

Part of this will likely include regulatory reforms that free up ability to bring in key skills – education, health, hospitality, for example – that are needed in the short term, but are not able to be provided by the local market.

One way to achieve this will be to enhance the provision of vocational education, and ensuring an efficient and functional apprenticeship scheme exists to ease placement for vocational tradespeople. Another will be to make better and more effective use of technology – allowing rural households to access online learning materials, for example.

Source: Australia Pacific Technical College

Students at the Australia Pacific Technical College in Port Moresby can learn skills that will help not just assist them, but also the economy.

Cruise ships regularly make port calls in Alotau, Milne Bay, providing valuable income earning opportunities for local artisans and businesses.

APEC 2018 – enabling the enablers

Papua New Guinea’s hopes of hosting the APEC Summit in 2018 is to attract the world’s attention to its emerging economy. Two of the most commonly cited opportunities to be realised from hosting the APEC Summit include showcasing the enormous potential of PNG as an investment destination, and bringing the global market closer to the people of Papua New Guinea.

However there is another opportunity which has not received as much attention, but which arguably is just as important, and that is the ability to conduct a variety of research which otherwise would not be conducted.

A key part of the APEC Summit is the research funding that goes along with it – funding which is allocated to conducting research projects against each of APEC’s core priority areas.

Research will be a core component of achieving many of the enabling factors mentioned here, and the APEC Summit presents an ideal opportunity for much of this research to be undertaken.

However, hosting APEC also provides something of a double edged sword. Put simply, there is a risk that if prospective investors were to come to PNG and see many of the barriers that exist today, then rather than attracting investment it is entirely possible that hosting the Summit could have the opposite effect.

While we do not believe this is a likely outcome, we should nevertheless treat APEC as a once in a lifetime opportunity to undertake much of the background research that PNG needs if it is to truly capitalise on some of its as yet untapped opportunities.
5 Future state

This section considers the priorities, barriers and enablers discussed in the previous chapters and describes how the ‘future PNG’ might look once they have been taken into account.

5.1 Provision of infrastructure and basic services

Infrastructure is a tough issue because the government rarely has sufficient funds to invest in it, and foreign donors often have their own ‘key’ infrastructure priorities to invest in.

Both hard and soft infrastructure is noted as a priority – hard infrastructure in the sense of physical roads, bridges, etc., and soft infrastructure in the sense of an educated workforce, institutions, etc.

Importantly though, in a broad context soft infrastructure can also be taken to mean institutional strengthening. Land zoning and effective land regulations, for example, are noted as a key priority for ongoing development.

The PNG of the future will include substantive infrastructure that supports economic development. It will also provide basic services that are essential to sustainable economic growth, services such as healthcare, basic institutions, law and order, education, drinking water and sanitation will be provided to most, if not all of PNG’s citizens.

The provision of basic services will ensure a smart and healthy workforce that adequately responds to changing economic times.

One key goal that has been put forward is for 75% of the country to be electrified by 2030 – an ambitious but achievable goal if all parties work together.

5.2 Government and regulation

Effective government and regulatory conditions are essential to a prosperous and inclusive economy.

The PNG of the future will provide regulatory frameworks that help, not hinder private sector activity, that facilitate competitive and efficient markets, protect consumer interests and support productive and efficient business activity.

"Effective government and regulatory conditions are essential to a prosperous and inclusive economy."

The government sector will be effective and efficient, with constructively and professionally developed policies that are implemented in a collaborative and timely manner.

Growing regions by focusing on existing strengths

Notwithstanding the importance of a broad and diversified industry base at a national level, it is entirely possible, and indeed desirable, for individual regions to focus on key areas of strength or expertise, and to specialise in those areas – in essence, focusing on their comparative advantages. Regional specialisation brings major employers to regions, such as universities, factories or hospitals, which in turn bring people.

In PNG it is clear that regional specialisation could go a long way toward driving growth in those regions.

For example, recognition by government that hubs such as Lae are the source of where goods are produced, delivered and received for the majority of industry would enable a focus on these regions as the manufacturing heartlands of the country. Agglomeration of manufacturing activity around Lae would enable economies of scale to be achieved in manufacturing which in turn will enhance not only the region but also the country’s manufacturing output. This of course will be dependent on addressing several of the infrastructural, logistical and regulatory barriers noted above.

Another clear area of specialisation is for key regions – for example Milne Bay and West New Britain – to focus on developing their tourism industry as the predominate growth driver. By focusing on tourism in key regions, and essentially ‘getting it right’ in those regions, it will allow the development of world standard tourist facilities and attractions, which other regions will be able to learn from.
The visibility of government will be high, especially in the area of lands, which is noted as a key priority. Government will be present and visible in the community and the economy to ensure all actors operate fairly and effectively.

5.3 Broadening the industry base

PNG’s narrow and small tax base is a fundamental hindrance to many of its development goals. Thus, key amongst the priorities for the PNG of the future is a bigger and broader tax base. The tax base will cover a broad and diverse industry mix, will be equitable and efficient, and will fund the basic services referred to above.

Skilling PNG – The challenges of supply and demand

Central to the issue of broadening the industry base is broadening the skills level of Papua New Guinea’s workforce. A recent survey by Deloitte and the UNDP found that some 83% of businesses identified skill shortages as a major impediment to their hiring activities.

Skills shortages are a pressing issue for Papua New Guinea. Incentives for training are not strong, training institutions are inadequately funded and education is currently at a sub-standard level.

A practical implication of this is that all too often businesses themselves are forced to invest in costly training programs, and in some cases businesses are actually becoming registered training organisations.

Adding further complexity, training institutions often do not provide the training that is most in demand by employers in the area, furthering the gap between the supply of and demand for skilled labour.

The PNG of the future will see skills being taught by training providers that are relevant to the region in which the training is provided. This will ensure suitable skills development and a sustainable supply of labour suitable to the region’s industry requirements. Establishment of relevant apprenticeship schemes and a supporting regulatory environment will also need to be considered if PNG’s industry base is to continue to grow and be supported.

The industry base will include a range of both current and future industries, each of which will have a holistic and comprehensive industry development strategy that guides its development both individually and as part of the broader PNG economy. Most importantly the industrial base will be sufficiently diverse so as to enable the economy to withstand external shocks such as the commodity price shock that has affected growth in recent years.

“‘The PNG of the future...will have an efficient labour market which matches the demand for and supply of labour, and which effectively brings together all participants in the economy.’”

Employment growth will be strong, and individual regions will play to their individual strengths. In other words, regions strong in agriculture will provide crops and produce to the rest of the country; regions strong in manufacturing will support the industrial base of the nation.

From a nationwide perspective, a diverse industry base is key to ensuring PNG’s prosperity. A diverse industry base is one that is able to provide adequate support to other sectors of the economy – where prospective mining or construction projects, for example, are not solely reliant on imported staff and materials.

A diverse industry base is also one that allows the economy to withstand external shocks, such as the commodity price shock that has occurred recently and saw PNG’s growth plummet by over 10% in the space of a year.\(^6\)

The PNG of the future will have a broad industry base with growth stemming from more than just one or two key sectors. It will have an industry base that operates at world’s best practice, and is driven by productivity rather than simply factor utilisation (see 5.4 below). And finally, it will have a sufficiently diverse industry base so as to allow the economy to withstand external shocks, providing stability and certainty to all prospective investors.

5.4 Productivity and employment

Development of the informal economy has been noted as a priority in several past development strategies, most notably the Medium Term Development Plan. Going from an informal to formal sector ratio of about 80:20, the business community believes an appropriate longer term goal should be a ratio of 50:50. Over the next five years however, a ratio of 70:30 is an

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\(^6\) PNG Treasury
Development priorities for 2017-22

appropriate medium term target. It will have an efficient labour market which matches the demand for and the supply of labour, and which effectively brings together all participants in the economy.

Females will not be under represented, and information to continually evaluate the functioning of the labour market will be readily available.

Employment and productivity will be enabled by a diverse SME sector, which itself will be enabled by a facilitative and open government and regulatory environment.

A key feature of lower income countries such as PNG is that economic growth comes mainly from utilisation of previously idle factors of production such as land and labour. Clearly though there is a limit to the potential for this to provide growth – with that limit obviously being the extent of ‘idle’ factors.

This is why in advanced economies growth comes not from utilisation of factors of production, but rather from better utilisation of those factors. In other words, from productivity growth which creates more output for every unit of input.

PNG has a long way to go until its growth is solely driven by productivity and not by factor utilisation. Over time, however, as wages begin to rise firms will not simply be able to expand their workforce in order to grow. Rather, they will be forced to operate more efficiently and effectively with the labour, the land and the capital that they already have.

A key driver of productivity is technological change. Changing technology allows ever more outputs to be generated from the same inputs.

Thus, the PNG of the future will be a dynamic economy in which the majority of primary factors are utilised, and the majority of economic growth comes from growth enhancing productivity growth, fuelled by technological change.

A key aspect of this will be a skilled workforce, as noted in the box on the previous page. Another will be sophistication in the nation’s tertiary and vocational education providers which provide the population with the skills they require in order to be innovative members of society in future. And finally, PNG’s legal system will protect the intellectual property of those who innovate to ensure adequate incentives are provided to all participants of the economy.

**Smart PNG – productivity growth through technological change**

Developed from the UNDP, DFAT and Kumul Foundation’s 2015 Kumul Game Changers, Day One Investments is a PNG start-up that aims to boost foreign direct investment by embracing innovation and technology to address business challenges in PNG.

With investment from Silicon Valley venture capitalist Tim Draper, Day One Investments intends to use Blockchain technology to transform PNG’s financial sector.

Blockchain is a distributed (‘shared’) database that exists across each of the many millions of computers across the world that sign up to it. The technology allows 100% secure and irreversible transactions across the Blockchain.

The most common application of Blockchain to date is in online money transfers, which can be conducted without the need for banks or other financial institutions. In a country like PNG where approximately 80% of the population does not have a bank account, it’s not hard to see how this could revolutionise the country.

But there are several other potential applications of the technology which could revolutionise virtually all aspects of PNG. Online voting, for example, could be conducted using Blockchain ensuring that only one vote per person is allowed to take place.

Day One Investments manages the Pacific Blockchain Centre, a working group for discussion of Blockchain applications and innovations led by the Kumul Foundation and committed to increasing awareness within companies and government agencies about the benefits of Blockchain. Members of this working group include Deloitte Touche Tohmatsu, Bank South Pacific, Kina, Nambawan Super and Digicel.

Innovations such as Day One Investments and the Pacific Blockchain Centre provide evidence that innovation in PNG is happening now. The PNG of the future will be an environment that fosters and encourages such innovation for the benefit of all Papua New Guineans.

*Utilising technologies such as Blockchain could boost productivity and help PNG ‘catch up’ to the rest of the world.*
6 An action plan for change

This section lays the groundwork for the preparation of a comprehensive action plan that can be implemented jointly between government and industry.

6.1 A dashboard for development

Presented as Appendix 1 to this document is a comprehensive Dashboard for development which summarises the commentary and discussion of this report into a single, easy to read dashboard. The intent of the dashboard is for policymakers and other interested parties to be able to grasp the key aspects of the strategy without having to delve into the body of the report.

Consistent with the report, the dashboard is arranged across two dimensions. The first dimension is the four broad themes that the preceding chapters consider – specifically provision of infrastructure and basic services, government and regulation, broadening the industry base, and productivity and employment.

The second dimension is the chronological one – considering the current state of affairs with respect to each theme, followed by the barriers, the enablers, and finally the desired future state.

6.2 A preliminary action plan

Appendix 2 contains an Action plan for change which converts the content of the dashboard in Appendix 1 into a series of clear steps that in our opinion will set PNG on a sturdy path for sustainable development. These steps are arranged into three broad chronological dimensions: the first 100 days, the first 18 months, and the forthcoming five years.

At a high level, the first 100 days is about establishing the groundwork for the implementation of broader policy measures and other recommendations. Thus, the majority of actions with the first 100 days revolve around dialogue or development of a plan or strategy, which can then be implemented in the second phase. This might also be considered as the planning and development phase.

The second timeframe, the first 18 months, could be considered more broadly as a focus on implementation. It is the period of time in which key action items and dialogues implemented in the first 100 days begin to come into effect. The purpose of this phase is to provide a comprehensive listing for policy makers of the potential actions that can be undertaken in a relatively short period of time while still enabling meaningful reform.

The final timeframe, the forthcoming five years, could also be considered a focus on ‘shifting the needle’. This is the time in which we would expect the actions implemented in the preceding two phases to have had a marked effect, and the needle begins to shift on PNG’s economy, with a transition from its current state to its ideal future state.

6.3 Key success factors

Central to a successful development strategy is a successful action plan. The action plan is where many previous strategies and documents have fallen down in PNG.

For successful implementation of PNG’s private sector strategy, it is proposed the following key factors by recognised, agreed and adhered to by all parties.

- Wholesale agreement and sign on to the actions by all parties, including collaborative development of the action plan by business and government.

- Clarity on roles and responsibilities, considering both action and funding responsibilities, and an appropriate and realistic split of responsibilities between the business community, the government, and other participants.

- Consideration of cost and resourcing constraints, and separation of actions according to those that will be done within existing budget constraints, and those that will require funding. For the latter, identification of funding sources.

- Clear and realistic timing expectations, supported by a comprehensive understanding of dependencies (e.g. which actions need to be done consecutively and which can be done simultaneously).

- Monitoring and evaluation framework which is comprehensive and enforceable, including key performance indicators, identification of responsibilities, and regular review and evaluation.

- Regular reporting to government, business and the community will be critical for all parties to take stock of their progress and to ensure all parties are accountable for their respective actions.
A DASHBOARD FOR DEVELOPMENT:
Where are we now, where do we want to be, what stands in the way of getting there, and what will help us get there?

<table>
<thead>
<tr>
<th>PROVIDION OF INFRASTRUCTURE AND BASIC SERVICES</th>
<th>GOVERNMENT AND REGULATION</th>
<th>BROADENING THE INDUSTRY BASE</th>
<th>PRODUCTIVITY AND EMPLOYMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Infrastructure in many places is either non-existent or ageing and under-maintained</td>
<td>• In some sectors there are strong policies hampered by a lack of implementation</td>
<td>• Mining (energy and gold) accounts for the majority of economic activity in PNG – 28% of GDP and 80% of exports</td>
<td>• Majority of PNG’s economy involved in subsistence farming</td>
</tr>
<tr>
<td>• Only 13% of PNG is electrified; 90% do not have internet access</td>
<td>• In other sectors policies are implemented or proposed which lead to unintended consequences – e.g. revisions to Mining Act, Land Act</td>
<td>• Other sectors generally nascent in development</td>
<td>• 40% of the population is under the age of 15 and women make up only 27% of the labour force</td>
</tr>
<tr>
<td>• 40% have access to improved water sources and 19% have access to improved sanitation</td>
<td>• Regulatory frameworks are present but in some instances out of date or lacking in coverage</td>
<td>• Key ‘growth’ sectors – agriculture, tourism – remain underdeveloped</td>
<td>• Informal to formal sector ratio about 80:20 – 2.5 million in the informal sector; 500,000 in the formal sector</td>
</tr>
<tr>
<td>• 40% of the population is living on less than US$1.90 per day (PPP), the international definition of extreme poverty</td>
<td>• Laws are also often out of date or inconsistently applied</td>
<td>• Development of alternative industries currently inconsistent and lacking in holistic consistent strategy</td>
<td>• Employment growth is hampered by a range of factors; productivity is hampered by a mismatch of skills supply and demand</td>
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<table>
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<tr>
<th>BARRIERS</th>
<th>ENABLERS</th>
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<tbody>
<tr>
<td>• PNG’s fiscal position intrinsically tied to the resources sector – currently in lull period</td>
<td>• Improvement in the prioritisation of funds – greater efficiency in public sector departments and reduced wastage</td>
</tr>
<tr>
<td>• Corruption and wastage means more kina required to achieve a given funding target</td>
<td>• Tax reform – raising the GST; reducing income tax, reviewing tax concessions and tax credits in line with tax committee recommendations</td>
</tr>
<tr>
<td>• Funding allocation between national and provincial governments limits investment outside POM</td>
<td>• Implement targets set out under Sustainable Development Goals and other international obligations</td>
</tr>
<tr>
<td>• Poor infrastructure outside of Port Moresby impedes supply chain efficiency</td>
<td>• Investment of DSIP funds into infrastructure</td>
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<tr>
<th>WHERE DO WE WANT TO BE?</th>
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</thead>
<tbody>
<tr>
<td>• Infrastructure that supports economic development, both ‘hard’ and ‘soft’</td>
</tr>
<tr>
<td>• Basic services to enable employment growth; healthcare, institutions, law and order, education sufficiently provided</td>
</tr>
<tr>
<td>• Closing the gap – a smart and healthy workforce</td>
</tr>
<tr>
<td>• 75% of PNG to be electrified by 2030</td>
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<th>GOVERNMENT AND REGULATION</th>
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<tr>
<td>• Regular consultation between government, private sector and community</td>
<td>• Infrastructure in many places is either non-existent or ageing and under-maintained</td>
</tr>
<tr>
<td>• Institutional strengthening and public sector reform to strengthen the machinery of government and enforce the rule of law</td>
<td>• Only 13% of PNG is electrified; 90% do not have internet access</td>
</tr>
<tr>
<td>• Reform of funding distribution processes, requiring accountability for expenditure and procurement once approved</td>
<td>• 40% of the population is living on less than US$1.90 per day (PPP), the international definition of extreme poverty</td>
</tr>
<tr>
<td>• Empowering public servants to make meaningful changes, allowing and enforcing the separation of bureaucratic and political systems</td>
<td>• 40% have access to improved water sources and 19% have access to improved sanitation</td>
</tr>
<tr>
<td>• Providing regulatory stability and certainty</td>
<td>• 40% of the population is living on less than US$1.90 per day (PPP), the international definition of extreme poverty</td>
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<th>BROADENING THE INDUSTRY BASE</th>
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<tbody>
<tr>
<td>• Providing secure access to land for development</td>
<td>• Skills shortages one of the biggest barriers to development – 83% of businesses affected</td>
</tr>
<tr>
<td>• Development of holistic industry development strategies and formation of working groups combining government and industry, at national and provincial levels</td>
<td>• Human factors (i.e. productivity, work ethic) also considerable constraints to hiring</td>
</tr>
<tr>
<td>• Facilitating SME development in PNG – enabling policy environment and economic conditions</td>
<td>• Education focusses on ‘quantity not quality’</td>
</tr>
<tr>
<td>• Innovation and technology - attracting investment in future growth sectors such as fintech and advanced manufacturing</td>
<td>• Poor retention of educated nationals</td>
</tr>
<tr>
<td>• Addressing the disconnect between the education system and the jobs market</td>
<td>• There has been no comprehensive employment policy at a government level since Independence</td>
</tr>
<tr>
<td>• Ensuring skills taught by education providers match those being sought by employers</td>
<td>• Nationalisation focus in polices (e.g. SME policy) likely to have unintended consequences</td>
</tr>
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<td>• Ensure labour mobility sufficient to fill short term skills gaps – review of visa regulations</td>
<td>• Informal to formal sector ratio about 80:20 – 2.5 million in the informal sector; 500,000 in the formal sector</td>
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<tr>
<td>• Efficient and functional apprenticeship scheme and vocational training to ease placement for vocational trades</td>
<td>• Diverse SME sector enabled by a supportive government and regulatory framework</td>
</tr>
<tr>
<td>• Using technology to expand reach of educational providers – e.g., distance education, massive open online courses</td>
<td>• Informal to formal sector ratio about 80:20 – 2.5 million in the informal sector; 500,000 in the formal sector</td>
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<th>ENABLERS</th>
<th>BROADENING THE INDUSTRY BASE</th>
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<tr>
<td>• Effective and efficient government sector, including good policies and effective and timely implementation</td>
<td>• Expanded tax base that generates revenue from a range of industry sectors in an efficient manner</td>
</tr>
<tr>
<td>• Regulatory frameworks that facilitate open and competitive markets, protect consumer interests, and support productive business activity</td>
<td>• Sectors with comprehensive plans and development strategies</td>
</tr>
<tr>
<td>• Application of rule of law in an environment which rewards good corporate citizenship</td>
<td>• Economic growth and development in regions focused on existing competitive advantages</td>
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<td></td>
<td>• Broad industry base able to withstand industry specific shocks (e.g. commodity price falls)</td>
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## AN ACTION PLAN FOR CHANGE:
Recommended activities and targets for the first 100 days, 18 months and five years

<table>
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<tr>
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<tr>
<td>• Dialogue conducted between Government and industry stakeholders identifying how to progress PNG's delivery according to the Sustainable Development Goals (SDGs)</td>
<td>• Through stakeholder consultation, key pieces of legislation reviewed (i.e. land, mining, SME and petroleum) to ensure legislative frameworks allow for ongoing investment and enable industry growth</td>
<td>• Dialogue conducted between Government and industry stakeholders with a view to establishing industry development strategies across the key growth areas of agriculture, manufacturing, fintech, tourism and SMEs, with an emphasis on geographical strengths and comparative advantages</td>
<td>• Commitment from Government gained to conduct a review of PNG's vocational system and associated frameworks, assessing the current status and outlining recommendations and an action plan for investment and delivery priorities in order to meet industry needs</td>
</tr>
<tr>
<td>• Development of an SDG action plan, identifying priorities, targets and intended outcomes, and assigning responsibility and timeframes for each action</td>
<td>• Public-private consultation mechanism established to review, modernise and/or remove obsolete legislation and regulations that are impediments to business and investment, with an action plan developed, oversight responsibility retained within the Policy unit of PM&amp;NEC, and reporting on progress undertaken quarterly to Government and industry</td>
<td>• Public-private working group established to revisit the tax review recommendations to determine how PNG's tax base can be broadened to allow for industry growth and less reliance on extractives sector</td>
<td>• Public-private working group established to review and update work permit and visa regulations to ensure necessary skills are available and developed according to current and future industry growth requirements, with a regular review framework established</td>
</tr>
<tr>
<td>• Commitment from government gained to conduct a review of PNG's transport infrastructure and associated services, assessing the current status and outlining recommendations and an action plan for investment and delivery priorities in order to meet industry needs</td>
<td>• Updated legislative frameworks pertaining to land, mining, SME and petroleum are agreed upon and enacted into law</td>
<td>• Work has commenced on industry strategies according to agreed action priorities</td>
<td>• Vocational system review completed and work commenced on 10-15% of the initial priorities identified, including how to encourage women into vocational training</td>
</tr>
<tr>
<td>• Dialogue conducted between Government and industry stakeholders identifying how to progress PNG's delivery according to the Sustainable Development Goals (SDGs)</td>
<td>• Consultation completed in relation to the review, modernisation and/or removal of obsolete legislation and regulations and 10-15% of legislative change is enacted</td>
<td>• Investment has been made for the purposes of industry development in the key growth areas of agriculture, manufacturing, fintech, tourism and SMEs</td>
<td>• Work underway to establish an apprenticeship scheme for PNG, with associated regulatory oversight</td>
</tr>
<tr>
<td>• Development of an SDG action plan, identifying priorities, targets and intended outcomes, and assigning responsibility and timeframes for each action</td>
<td>• A review has commenced on determining the most effective and enabling operating structures for key government agencies with the aim of improving efficiency, meeting growth and development needs, and enhancing public sector accountability</td>
<td>• Growth of priority industries has been achieved according to agreed upon metrics</td>
<td>• Work permit and visa regulations updated to reflect current industry needs, including establishment of a comprehensive and regularly updated skill needs list</td>
</tr>
<tr>
<td>• Commitment from government gained to conduct a review of PNG's transport infrastructure and associated services, assessing the current status and outlining recommendations and an action plan for investment and delivery priorities in order to meet industry needs</td>
<td>• Within 18 months PNG will have demonstrated positive movement of 10-15% across priority SDG targets</td>
<td>• Updated legislative frameworks pertaining to land, mining, SME and petroleum are agreed upon and enacted into law</td>
<td>• Small increase in ratio informal to formal sector achieved, moving towards 75:25</td>
</tr>
<tr>
<td>• Dialogue conducted between Government and industry stakeholders identifying how to progress PNG's delivery according to the Sustainable Development Goals (SDGs)</td>
<td>• Implementation of agreed tax reforms underway with a view of broadening PNG's tax base and reducing commodity pricing impacts</td>
<td>• Consultation completed in relation to the review, modernisation and/or removal of obsolete legislation and regulations and 10-15% of legislative change is enacted</td>
<td>• Efficient and functional apprenticeship scheme in place for PNG</td>
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<td>• Development of an SDG action plan, identifying priorities, targets and intended outcomes, and assigning responsibility and timeframes for each action</td>
<td>• SME legislative framework implemented</td>
<td>• A review has commenced on determining the most effective and enabling operating structures for key government agencies with the aim of improving efficiency, meeting growth and development needs, and enhancing public sector accountability</td>
<td>• Vocational training centres in place in provincial locations, supporting industry and regional needs</td>
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<td>• Commitment from government gained to conduct a review of PNG's transport infrastructure and associated services, assessing the current status and outlining recommendations and an action plan for investment and delivery priorities in order to meet industry needs</td>
<td>• 60% of agreed legislative changes enacted as a result of the review and modernisation initiative</td>
<td>• Investment has been made for the purposes of industry development in the key growth areas of Agriculture, Manufacturing, Fintech, Tourism and SMEs</td>
<td>• 25% increase in female participation in the formal workforce</td>
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<td>• Dialogue conducted between Government and industry stakeholders identifying how to progress PNG's delivery according to the Sustainable Development Goals (SDGs)</td>
<td>• PNG recognised with an improved global ranking on the World Bank’s Ease of Doing Business survey, outranking other Pacific Island nations</td>
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<td>• Ratio of 70:30 informal to formal sector achieved</td>
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<tr>
<td>• Development of an SDG action plan, identifying priorities, targets and intended outcomes, and assigning responsibility and timeframes for each action</td>
<td>• Key government agencies are structured and organised efficiently in a manner which best supports sustainable growth and investment for PNG</td>
<td>• PNG recognised with an improved global ranking on the World Bank’s Ease of Doing Business survey, outranking other Pacific Island nations</td>
<td>• PNG is a recognised global player in at least two of the identified growth areas</td>
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<tr>
<td>• Commitment from government gained to conduct a review of PNG's transport infrastructure and associated services, assessing the current status and outlining recommendations and an action plan for investment and delivery priorities in order to meet industry needs</td>
<td>• Work completed on 60% of agreed legislative changes enacted as a result of the review and modernisation initiative</td>
<td>• PNG recognised with an improved global ranking on the World Bank’s Ease of Doing Business survey, outranking other Pacific Island nations</td>
<td>• PNG is a recognised global player in at least two of the identified growth areas</td>
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