



IPA

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**Mr. Ronald Maru
Executive Officer to the Managing Director's Office
INVESTMENT PROMOTION AUTHORITY**

Outline of this Presentation

1. Introduction
2. Key Legislations
3. IPA Strategic Considerations
4. Investor Servicing and Promotion
5. Best Practice Investor facilitator
6. Issues and Challenges
7. PNG's SAB Ranking History
8. Recent Reforms PNG has implemented in the APEC's EoDB Priority Areas.
9. Summary

Introduction

- The Investment Promotion Authority (IPA) is a statutory authority under the Ministry of Trade, Commerce and Industry. It was established by an Act of Parliament in 1992 to promote and facilitate investment into and within Papua New Guinea.
- Like any other State Owned Entities Investment Promotion Authority operates within a focused investment and business promotion operating environment by playing host to number of important key legislative mandates.

Key Legislations

IPA Act 1992
IPA Regulations 1992
Associations Incorporate Act 1966
Companies Act (Amend)2014
Companies Regulations (Amend) 2014
Companies Rules (Amend) 2014
Business Names Act (Amend)2014
Business Group Incorporation Act 1966
Business Group Regulation 1974
Intellectual Property Office of PNG Bill (pending)
Trade Marks Act 1978
Trade Marks Regulations 1979
Patents & Industrial Designs Act 2000
Copyrights & Neighbouring Rights Act 2000
Securities Act 1997
Securities Regulations 1999
Securities Commission Bill (pending)
Capital Market Bill (pending)
Central Depositories Bill (pending)
Personal Property Security Act 2012

Recent **REFORMS** saw changes in bringing legal certainty and consistency to businesses and confidence building to join the formal business sector that will promote, support and facilitate SMEs as demanded by APEC EoDB priority areas, more detail in later slide.

IPA Strategic Considerations

- The Investment Promotion Authority is premised on a number of key strategic considerations in the operating environment that compliments the **SUCCESSFUL IMPLEMENTATION OF DEVELOPMENT PLANS AND ACHIEVING THE RESPONSIBLE SUSTAINABLE DEVELOPMENT STRATEGY.**
- These strategic considerations includes:
 - (1) **National Content:** This area of work plays an important facilitating role in building credible SMEs by latching on larger FDI inflows which would fasttrack development SMEs credible enough to move into industry based global value chain;
 - (2) **APEC 2018.** This historical event will distill potential investment opportunities , and the required preparations. Authority will play an important role as well in actively playing hosts, supportive and participatory roles,

- **(3) Efficiency Gains and Customer Services:** There is a greater challenge to institute greater efficiencies in our processes, taking into account the new developments in ICT. There will be a need to institute milestones in our processing both at the registry and also at the foreign certification front. This is also the market expectation and also recognizes the potential to build upon the online lodgment capability that the IPA now has. With the deployment of the electronic system of registration and lodgment, massive awareness of the service is now more than necessary, will pay dividends later, when the work load is more stabilized when more people take up online lodgment;
- **(4) Ease of Doing Business Issues:** Ease of Doing Business to become an important agenda. There is a need to build a multi agency approach to the whole EoDB space. Our engagement in APEC gives Authority the best option in terms of initiating conversations with other stakeholders, including IFC as same activities coming out of APEC 'c EoDB priority Areas.
- **5) Renewable Resources Sectoral focus:** The need to renew focus to the traditional sectors of the economy. There is a need to refocus our promotional work to the renewable resource sector. The major sector of mining, oil and gas are robust enough to grow and support their own promotional work. Agriculture, forestry, fisheries, real estate and the resources owners must continue to receive a more focused attention on balancing the sectoral focus;
- **6) Growth Enablers** are also potential investment opportunities: There needs to be a more focused effort is required to translate some of the longer term plans in the infrastructure, energy sectors, communication, education and health sectors, into investment opportunities. The medium term outlook for the government is to invest heavily in these sectors, for which expertise, and capabilities domestically are limited;

- **(7) SME Response:** The need to ensure that there is a Strategic response to the SME conversations contained in the SME Policy, Master Plan, and the SME Corporation agenda. The need for the Authority to assist facilitate local businesses. It must also be about improving the local business environment, that is the move away from the perception that the IPA is just about FDI. Authority should identify landowner groups and look at how to assist build new businesses on the platform of enormous resources endowment, like addressing the bottlenecks such as access to land and the issues of the security of titles. Issues of certification and real estates, research of space, monitoring and compliance facility for ensuring that those are clearly scrutinized;
- **(8) Policy Advocacy:** There is a need to take some policy advocacy work to include reviewing the National Investment Policy 1 and 2. The IPA is at the forefront of private sector inter-phase and therefore has an opportunity to properly advocate issues to the policy makers. The need to be able to feed these set information to those who need to know for policy advocacy purposes also a potential revenue source for the Authority;
- **(9) The Challenge** to clearly define what the IPA is doing within two spheres of (i) promoting investments, and (ii) carrying a large regulatory function. The very exciting global developments how the IPA could respond to those challenges, because the implications are quite serious and important in terms of the work that the IPA does. There are fragmentations appearing regionally and globally, therefore it presents opportunities for alliances to be fostered;
- **(10) The Information Communication Technology** platform presents the best opportunity for those alliances to be better fostered. There is also the need to create synergies with existing bodies to maximize the IPA exposure. Those dynamics are influencing the investment and trade architecture;

- (11) **Multi-Agency interface** to build capacity; an areas of good governance always leads to greater visibility of the processes. Authority need to also look at resources, human capacity, and the talents that will assist to take to preferred organization on the right footing.
- (12) **Capacity Building** and reprioritize expenditure from minimum resources for maximum output. With high cost of doing business, the Investment Promotion Authority to look at building own building-it is better to invest money in a building so that it can own later. Like how can Authority deal with the savings and If Authority raise the bar and set the standards a little higher, it may be able to attract more significant investors in the higher level space. Authority clearly plays the strategic role in deciding how to facilitate investors;
- (13) **Securities**: What sort of governance oversight do we have? Is it in the legislation or is it something that is missing in the legislation? This is something that needs to be borrowed from elsewhere. Managing other people's funds is sacrosanct. There are activities which Authority is undertaking which will enhance these engagements, to have regular disclosure requirements to ensure that the platform is clearly regulated. Complying with the IOSCO international requirements as well reform and promote investments in the PNG Capital Market. There is a need to ensure that investment and participation in the market is clearly made available to mums and dads who would like to participate in the market. The securities legislation must make sure that the regulatory environment allows this to take place.

These strategic considerations will affect how the IPA services are to be delivered and having complimentary effects on the theme of the forum.

Investor Servicing and Promotion

- Key Priorities includes an effective and efficient Investor Facilitation and After-care Service, visibility of the organisation's portfolio domestically and internationally vis-a-vis an effective Communication Strategy, a deep Market Intelligence and business information framework and creating business development pathways and opportunities for the SME-Export sector.
- Anticipate the Authority's rating as a "**best practice investment facilitator**" through the fostering a private sector minded culture, the accumulation of business knowledge and by implementing reliable internal systems for consistency in facilitation services.
- Cross border, intra-regional, sub-regional and global developments are also becoming paramount in today's business environment and as such, the Authority's role in building relations and partnerships, encouraging and engaging the SME sector in the open market is becoming a priority. Equally important is relationship building and partnerships with strategic partners both domestically and internationally for sharing and exchange of information.

Best Practice Investor Facilitator

The 11 Doing Business Indicators:

- Starting a Business – IPA, IRC, NCDC
- Dealing with construction permits – Construction Industry Unit (DTCI), NCDC, DEC
- Getting electricity – PPL, IPBC
- Registering property – IPA/ROC, Lands Dept
- Getting credit – Commercial Banks,
- Protecting investors – IPA, DJAG - State Solicitors/International Law, IRC, Treasury
- Paying taxes – IRC, Treasury
- Trading across borders – Trade Division (DTCI), Customs, NAQIA,
- Enforcing contracts – DJAG, Courts,
- Resolving insolvency – DJAG,
- Employing workers – Labour, Immigrations

Issues and Challenges

- **ISSUES AND CHALLENGES – FACILITATING MARKETS OPPORTUNITIES AT BOTH LOCAL AND INTERNATIONAL FOR LOCAL PRODUCERS**

The following remains key issues and challenges for market opportunities for our businesses particularly the producers.

COMMODITIES	ISSUES	CHALLENGES
<p><u>Cocoa</u></p> <p>PNG's main export destination is Malaysia, Indonesia, Singapore, Belgium and closely followed by Thailand.</p> <p>PNG only exports dry or roasted cocoa beans to these destinations.</p> <p>Collectively over the last 5 years PNG has exported over 90,000 tons to Malaysia valued at over K500 million and Singapore over 80,000 tons valued at K500 million.</p>	<p>Pests (cocoa pod borer), poor drying facilities, poor roads/wharves low farm gate price</p> <p>World market price Fair trade fees and membership in order to get a price above premium world market price</p>	<p>Downstream processing of cocoa to; cocoa liquor, butter, powder.</p> <p>Import tariffs imposed at export destination (government intervention is needed to look at trade agreements and policies)</p>
<p><u>Coffee</u></p> <p>PNG's market for coffee is Europe especially German imports a lot of coffee. The United States, Australia and Japan are our next biggest markets.</p>	<p>facilities, poor roads/wharves low farm gate price inconsistency in supply of coffee low quality coffee Land owner issue/law and order; this leads to less coffee plantations and the production drops for PNG exports</p>	<p>Aging coffee trees PNG contributes 1% of world's coffee production and we are price takers in the world market. World coffee price fluctuates The exchange rate influence buying behavior poor drying facilities for fermentation</p>
<p><u>Spice</u></p> <p>The spice industry in PNG is mainly dominated by turmeric, vanilla, ginger and cardamom in terms of export earnings and production capacity. PNG's exports are mostly of higher quality ('A' Grade) spices and are mostly exported to Europe, the US and the Asian markets, while cardamom, citronella essential oils are mainly exported to Australia, New Zealand and Fiji.</p>		<p>The spice board is underfunded and understaffed with only 3 staffs. They cannot carry most of their extension program and regulate the industry very well. There are a lot of middle men bargaining for spices at a very cheaper price in which the farms get the lowest price. To have facilities ready for down streaming of any spices; for instance PNG is selling vanillas in Pods but missing out revenue if PNG exporters were to extract the vanilla for powder, syrup and other extracts.</p>

COMMODITIES	ISSUES	CHALLENGES
<p><u>Horticulture Industry</u></p> <p>The main market for this industry seems to be the main cities of Port Moresby, Lae and Mining townships</p> <p>Port Moresby needs 167,000 tons per year. Around 85% of fresh produce needs of resource projects are imported resulting in an opportunity cost to PNG of PGK500, 000 per week. This huge opportunity needs to meet if the farmers work together including the stake holders in the value chain.</p> <p><i>(Rahmad Syakib, IFC Rep, November 2014, Highlands Horticulture workshop Mt Hagen)</i></p>	<p>Poor infrastructure Increase cost of air and sea freight Inconsistency in supply of crops Most of our fruits and vegetables cannot be exported to overseas markets because our crops are prone to fruit flies. The only fruit fly free crop is pineapple. If we want to export to overseas markets; we have to have a High Temperature Forced Air facility/HTFA to treat fruits. The facility will cost around K2M <i>(Source: David Tenakanai, NAQIA, Pacific Path to Marketing, Lae, MP, 2014)</i></p>	<p>Specialized containers and transport system Quality and appeal of imported goods better than local Hydroponic at 9 mile (but it is seen as an opportunity for PNG companies to venture into) also it competes with imported goods and creates an avenue for the local produce. Accessing information for a particular product in terms of pricing, packaging, seed and other requirement is a setback. Packaging of a particular crop is lacking at the moment at the farm gate. A 50 kilogram sack is a common packaging material. Farmers need to be trained on post harvesting methods of a particular crop Farmers need to specialize in planting one particular crop Farmers to know basic business practices, they will have to learn how to be loyal to their buyer no matter what the situation is. Storage facilities at farmgate and other areas within the value chain</p>
<p><u>All commodities</u></p> <p>Export commodities in PNG face the same problem with Issues and challenges</p>	<p>Land ownership and law and order contributes a lot to production of each commodity Pests and extension program Quality issues and standards Volume Boards compositions and relevance</p>	<p>Natural weather pattern affects a lot in crop production and transportation. Consistency in supply of the particular crop Basic business practices for being loyal to their buyers Post harvesting methods and packaging Exchange rate Price</p>

PNG's Start A Business Ranking History

- The APEC study shows that PNG's SAB ranking has declined from 69 on Doing Business 2007 to 101 on Doing Business 2014. This is despite the fact that the Doing Business team has scored PNG as stable on three of the four elements mentioned and recorded a significant reduction in cost as a percentage of income per capital.
- One reason attributed to this ranking pattern is the lack of reforms undertaken by PNG over the past (6) years.
- **The good news is that PNG has already created a platform for business creation that can enable PNG to leap forward into the best elite ranks of best SAB performers soon.**

Recent Reforms PNG has implemented in the APEC's EoDB Priority Areas`

- In May 2014, the draft report on Starting a Business was received from United States-APEC Technical Assistance to Advance Regional Integration (US-ATAARI). The survey covered mostly PNG Investment Promotion Authority's clients from the private sector and other government agencies based in Port Moresby.
- The study looked at four aspects of incorporating a new company. These are: 1) number of procedures required; 2) time in days to complete each procedure; 3) cost required to complete each procedure as a percentage of income per capita; and 4) paid-in minimum capital required as a percentage of income per capita.
- A major reform recently undertaken is the development and launching of the PNG Investment Promotion Authority's Online Lodgement System, which has provide online registration and secure transactions registries. The project aimed to streamline and cut down costly and cumbersome procedures and make business registration easier.
- In our endeavour to undertake major reforms to streamline regulatory requirements, the IPA together with the Internal Revenue Commission (the tax office) and PNG Customs Service signed an MOU where it allows for the IPA to act as the central point of registry for registration while the Internal Revenue Commission and the PNG Customs Service would enforce compliance. This will eliminate some of the procedural requirements as recommended in the SAB report.
- Further, the Business Name and Companies Act has been amended passed by Parliament in February 2014 will be implemented soon. Including the Personal Property Securities Act (PPSA) 2012, that plans to include records of vehicles, smaller goods such as refrigerators and tvs to broaden the product range and collateral options for lending.

Summary

- IPA supports the **theme of the forum**
- IPA supports SME development. This will really help the SMEs in the longrun, which IPA is complimenting including regulatory actions to support the SME Development Policy/MasterPlan Agenda.
- IPA work on simplifying the laws goes a long way to make it simpler for clients.
- IPA work to simplify the registry and make in more accessible is extending our reach into the rural areas.
- IPA still insists on compliance, and just because we insist on compliance does not mean we do not support businesses.
- Recent baseline study on SME development points to registration as being a small part of the SME development challenges, access to finance, infrastructure, access to markets, costs of utilities are also crucial.
- Review in costs involved also taking into account the charges which are applicable in other jurisdiction within the region, and the cost of providing 247 service which has increased.

Taniku