

Why Invest in PNG

PNG is strategically located to the main emerging Asian and Australia economies.

Political Stability

The sustained, rapid growth experienced by PNG since 2005 can in part be attributed to the nation's newfound political stability.

In 2001 the Morauta Government introduced the Organic Law on Integrity of Political Parties and Candidates (OLIPACC) to stabilise PNG politics by enhancing the role of political parties in Parliament and at the same time providing a stable political climate.

What ensued was almost ten years of political stability under the National Alliance-led Government. In the years following the inception of OLIPACC, investor confidence soared and PNG experienced its longest period of sustained high economic growth since independence.

Political analysts had predicted that this stability will continue on especially with the amendments to certain provisions relating to vote of no-confidence to replace the Government and various related policies introduced by the current O'Neil Government.

Diverse culture

PNG has a rich and diverse cultural heritage, with over 2000 plus ethnic groups and more than 800 different languages. As many Papua New

Guineans still maintain strong cultural and traditional links with their natural habitat, their involvement in any negotiations for new investments and development is decorous. Such cultural aspects create interesting and welcoming atmosphere to investors.

Young and growing population

Affluent easy trainable young population is available in PNG and the country's population growth means a potential of growing domestic market.

Key sectors

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

Investment Policy

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

> National Investment Policy

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

Regulations

> Investment protection

Section 37 of the Investment Promotion Act guarantees that the property of a foreign investor shall not be nationalized or expropriated except in accordance with law, for a public purpose defined by law and in payment of compensation as defined by law. Furthermore, PNG is a member of the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID) whilst bilateral investment protection agreements have been entered into with several individual countries (detailed information can be found in section 12; Bilateral investment agreement).

> IPA Certificate

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

> Restrictions

Foreign enterprises should note that under Investment Promotion Act, there are certain activities which are reserved for PNG citizens only. The list is currently being reviewed. Potential investors are urged to consult IPA to seek clarification on the activities reserved for PNG citizens and to avoid being penalised.

Type of Land

> Customary land

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

> Alienated land

The balance of the land in PNG is known as alienated land. Alienated land is land that has been acquired from customary owners by the government either for its own use or for private development. However, some alienated land is held as freehold other than by the government.

Most enterprises in which foreign investors are involved are located on alienated land. Alienated land in PNG can be held either as freehold or leasehold from the state. However, freehold land makes up a small proportion of alienated land in PNG.

> Freehold land

Under the Constitution of the Independent State of Papua New Guinea and the Land (Ownership of Freeholds) Act, a non-citizen is precluded from owning freehold land in PNG. Certain types of freehold land can be converted to leasehold land so that it may be used and owned by a non-citizen.

> Leasehold land

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

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

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