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JUNE 1992

THE PNG INVESTMENT PROMOTION AUTHORITY (IPA)
REVIEW OF OPERATIONS AND PROPOSED TECHNICAL ASSISTANCE

DP/PNG/86/002

PAPUA NEW GUINEA

CONSULTANT'S REPORT

(DRAFT)

Prepared for the Government of Papua New Guinea by the United Nations Industrial Development Organization (UNIDO) as Executing Agency for the United Nations Development Programme (UNDP)

Based on the work of Edward J. Chesky, Consultant, and
Mikael Brenning, UNIDO Chief Technical Advisor (CTA)

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UNITED NATIONS INTERNATIONAL DEVELOPMENT ORGANIZATION
VIENNA

*Note - This document has not been edited

EXPLANATORY NOTES.

ADB	-	Asia Development Bank
DFP	-	Department of Finance and Planning, Government of Papua New Guinea.
DTI	-	Department of Trade and Industry, Government of Papua New Guinea.
FIAS	-	Foreign Investment Advisory Service, a joint operation of the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA)
IBRD	-	International Bank for Reconstruction and Development, the World Bank.
IMF	-	International Monetary Fund.
I P A	-	Investment Promotion Authority, the new Papua New Guinea investment office, established May 1992.
NEC	-	The National Executive Council, The Cabinet of Papua New Guinea.
NIDA	-	National Investment and Development Authority, the predecessor agency to IPA.
UNDP	-	United Nations Development Programme
UNIDO	-	United Nations Industrial Development Organization

Currency	-	1 Kina, Papua New Guinea = U.S.\$1.04

ABSTRACT

On 19 May 1992 a new era for private investment in Papua New Guinea began with the coming into effect of a law establishing an Investment Promotion Authority (IPA). Several years in the making this new agency engages private business representatives for the first time together with public officials in a Board dedicated to encourage new enterprise financed from both domestic and foreign sources.

An important policy decision was made to change PNG's investment climate and the focus of the new Authority to the encouragement, facilitation and promotion of new investment, instead of regulating (and often discouraging it) as was the case with the predecessor agency. This important step was the result of several years of intense study and debate in the Department of Trade and Industry, and amongst other concerned agencies, business representatives and ultimately the cabinet and the Parliament. UNIDO advisors, together with the Foreign Investment Advisory Service (FIAS), and other consultants contributed substantially to the evolution of thinking on a new and more important role for foreign investment in the PNG economy.

The task of the current UNIDO consultant was to assess the status and organization of the new IPA and to review with its Managing Director and other officials the staffing, budget, development plans, and future investment strategies. The major objective was to identify ways that further external technical assistance might enable the new IPA to get up and running, and then to become an increasingly important organization. As the Authority will have a number of new expatriate senior officials and most of the national staff will also be new, training and advisory services were seen to be the most pressing needs. Recommendations on assistance by external donors include both in-house and in country training, staff internships abroad and the drawing on the experience of investment agencies in other countries to provide short and long term advisory services. In addition, as the new IPA gets underway, assistance may also be required for library and documentation services and with specialized planning and preparation for investment missions, and in developing a longer term promotion strategy.

Note: This study and report was prepared with the close cooperation and excellent support of UNIDO Chief Technical Advisor (CTA) Mikael Brenning, and his team of experts who have been working for several years in Papua New Guinea on a UNIDO/UNDP Project, "Institution Building for Industrial Promotion" (Project DP/PNG/86/002). This report is the conclusion of Project DP/PNG/86/002 and the last of the experts will have departed in several weeks.

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INTRODUCTION

The Consultant, Edward J. Chesky (USA), was selected by the PNG Government and UNIDO, and arrived in Papua New Guinea on 2 May 1992 following consultations at UNIDO in Vienna. He remained until 4 June 1992, departing Port Moresby after securing approval of the Draft Report. The central purpose of the project, as stated in this Consultant's Terms of Reference/Job Description (Annex I) was to prepare an outline for future Technical Assistance to the Papua New Guinea Investment Promotion Authority (IPA) for consideration by the Government and potential financing agencies.

On arrival it was ascertained that the long-awaited coming into being of the new Investment Promotion Agency (IPA) of Papua New Guinea was imminent. The Act creating the new Authority was gazetted on 19 May 1992, and on that day IPA replaced the former National Investment and Development Authority (NIDA). The project thus faced great opportunity and uncertainty for the new IPA (and the Consultant) were confronted with the fact that most of the new staff were not yet in place. Further, the Authority moved to its new offices in the commercial center of Port Moresby in early May, and is just now settling in.

The major objectives of this UNIDO project (Annex I) included:

- (a) Identification of the IPA's strategic and operational plan for the medium term,
- (b) Identification of institution-building technical assistance that would be required for the short and medium term,
- (c) Then, in this context, the project should proceed to describe appropriate TA in the form of consultants, training and others components to assist in institution-building tasks, and to indicate potential sources of funds from various agencies.

The work of the consultant was carried out in several overlapping tasks and phases. In the main, these were:

- (1) To become acquainted with the major government actors in the investment promotion and approval process including the Secretary of the Department of Trade and Industry, and the Managing Director of the IPA, and staff.
- (2) To meet with representatives of the business community, expatriates and local, and in particular the officers of key business organizations including the PNG Chamber of Commerce and Industry, PNG Chamber of Manufacturers, and the PNG Chamber of Mines and Petroleum. To gain their views on the investment climate and how the new IPA could be more effective.
- (3) To discuss with responsible officials and foreign advisors current views and policies on investment promotion in the PNG, and the plans and prospects for the new Authority.
- (4) To study Government, World Bank, and UN reports and business publications to gain insights into the PNG economy and the main opportunities and problems facing new foreign investment and industrial development.
- (5) To review various consultants' studies and reports on reform of NIDA and the investment process in recent years, and
- (6) To meet with donor agency representatives.

It is the view of the Consultant that as of early June this project has been much more successful in identifying shorter term needs and problems than in identifying longer term strategies. There is as yet no medium-term corporate plan for IPA, so planning for a the longer term is of necessity fairly tentative. For most of the rest of 1992, IPA will be preoccupied with the selection, orientation and training of new staff, establishing operational

procedures and getting the organization running effectively. After this there are several directions and emphases that IPA and the government could adopt to attract and facilitate new investment to PNG. A broad outline of major tasks facing IPA and suggested TA personnel and support are presented in the conclusion of this report.

CHAPTER I

A New Investment Promotion Authority is Created.

It has long been recognized that Papua New Guinea did not have an effective agency with a clear mission to promote new foreign investment in the country. To be sure PNG has attracted substantial investment from abroad but primarily in the fields of gold and copper mining and petroleum where the recognized rich resources and a supportive Department of Minerals and Energy provided adequate incentives to attract major foreign firms. Several factors came together in recent years to bring about an evolution both in public attitudes toward increasing foreign direct investment (FDI) and the desire to promote it actively in non-mineral resource sectors:

- (1) A more positive developing world view toward FDI in response to the international debt crisis and limits on capital availability from other sources.
- (2) Increased competition for scarce investment resources in the developing world.
- (3) Decline in foreign exchange earnings from major export crops of PNG, and the resulting need to develop other export-oriented industries.
- (4) Closure of the important Bougainville Copper Mine in 1989, with the loss of 45% of the nation's export revenue.
- (5) Stagnation or decline in industrial employment in the 1980's combined with growing population pressures, unemployment and urban problems.

(See Ref. 4, in Annex IV for List of Bibliography/References)

The previous government body, the National Investment and Development Authority (NIDA), was created prior to independence in 1974. By the mid-1980's it was still small, weakly led, and ineffective, its role primarily regulatory, and it was seen as a hindrance to new investment. In some cases NIDA took up to two years for an investment application to be processed to completion, and the general impression on investors was negative.

In connection with the start of a major Structural Adjustment Program in 1989, supported by the Asian Development Bank, World Bank and International Monetary Fund, the PNG Government undertook a series of actions to stabilize the economy. A major element of the program was to improve competitiveness in the non-mineral economy, to foster private investment (domestic and foreign), to encourage economic diversification, and to achieve these objectives through substantial deregulation and privatization of the economy (Ref. 4). In this context the inadequacy of NIDA was widely recognized and efforts to create a new investment agency and to seek a more favourable foreign investment climate gained momentum. A broadly based UNIDO Project entitled "Institution Building for Industrial Promotion" with the PNG Department of Trade and Industry, commenced in 1987. It has continued until the present time with a number of long-term experts having contributed in various fields. Assistance with the planning of the new investment agency was one of the tasks of the first UNIDO Chief Technical Advisor (CTA), D. Edwards, who left in November 1990, and this work was continued by the second CTA, Mikael Brenning, who made substantial inputs into government thinking, planning and preparation of legislation for the new IPA. The Foreign Investment Advisory Service (FIAS) of the International Finance Corporation (IFC) also assisted with a study (Ref. 5) in September of 1988, and by subsequent missions. By 1991 the stage had been set for the creation of a mixed public/private statutory body with the explicit task of promoting and facilitating private investment. And this was a major goal of the Government's Medium Term Industry and

Trade Development Action Plan (Ref. 7). After considerable legislative hassle the Investment Promotion Act 1992, was passed by the Parliament on 26 February 1992. The implementing Investment Promotion Regulation 1992, was approved by the Cabinet in May 1992. The Act was gazetted on 19 May 1992. On that date the new Investment Promotion Authority came into being and the predecessor agency, NIDA was dissolved.

CHAPTER II

THE INVESTMENT PROMOTION AUTHORITY -- ITS OBJECTIVES AND FUNCTIONS

In recognition of the need to support and energize the private sector much more effectively in the "interests of national, social and economic development" the Investment Promotion Authority was created. Thus the new organization and indeed the government broadly are now more strongly committed "to promote and facilitate investment in the country by citizens and foreign investors".

This study carried out by the Consultant has focussed for the most part on the foreign investment promotion responsibilities of IPA, though this in no sense denigrates the Authority's companion role in fostering the domestic private sector. The study was limited primarily because the IPA is the only body in the country concerned mainly with foreign investment. In contrast, there are many departments and agencies involved in promoting and assisting nationally-owned businesses and industry.

The broad objectives enunciated in the Act (Annex V) are: economic growth, job creation, utilization of domestic resources, skills acquisition, export expansion, development of remote areas, and increased ownership of investment by PNG citizens. Foreign investment has and will make a substantial contribution in all of these important areas.

The Act goes on to lay out a series of specific functions for the new Investment Authority, acting under the direction of the NEC (National Executive Council -- The Cabinet of the Government) on development objectives and policies. (Annex VI) With foreign investment "promotion" broadly as its overall objective the responsibilities of the IPA may be grouped into the following four functional categories*:

- (a) Promotion/Marketing - These activities will place IPA in the forefront of efforts by PNG to encourage and attract new foreign investment, both at home and abroad. These are in considerable measure public relations and informational roles including issuing publications, carrying out advertising and press campaigns, sponsoring seminars and missions at home and overseas, and participation in trade fairs and exhibitions.
- (b) Facilitation Services - For the potential, pending or approved investment IPA is tasked with facilitation and assistance to insure that the investor is promptly and fairly dealt with throughout the country, and that he is assured and persuaded that PNG wants and encourages investment such as his. As IPA is often the first point of contact with the potential investor it also has the responsibility for responding to inquiries and being able to provide full and accurate information on investment laws, procedures, the PNG economy and the investment climate. These services include guidance and assistance through the various bureaucratic steps to secure the necessary licenses, compliances and approvals before an investment can go forward. A further role is that of maintaining a register of investment opportunities and facilitating the introduction of foreign and domestic joint venture partners to each other.

*It should be noted that governments organize the various functions for "promotion of investment" in several different ways. Responsibilities for licenses and clearances generally are spread around in different agencies in addition to the designated investment authority. There are also a variety of ways to describe the different functions that agencies may perform to encourage new investors. However, all of the functions covered in this report are considered significant whether indeed the IPA is the major actor or only one of several government bodies involved. (See Refs. 1, 12, and 13)

- (c) Investment Climate and Country Image-Building - There has been considerable discussion in the literature on the necessity of "Country Image - Building" in order to convince the potential foreign investor that a country is a good and hospitable place to do business and in which to make a major long-term commitment. It is a question that deserves careful consideration, whether PNG and the IPA need to undertake a general image-building campaign abroad on a priority basis because the country is not well known. If not they may concentrate from the beginning on the other promotional activities listed in (a) and (b) above.

In a broader sense the image and the overall investment climate of a country are the consequence of the interaction of multiple factors. These include the country's natural resources, location, economic policies, skills, wage levels and other costs, and infrastructure, in addition to how seriously the government seeks to foster and protect foreign investment. Another part of that climate relates to the special incentives such as pioneer status, tax holidays and duty drawbacks which a government may offer.

The IPA is also empowered "to advise the Minister on policy issues that relate to the Act". How this policy role evolves is of course difficult to forecast, but in principle the Authority can and should advise the Government on how its policies and actions may serve to attract or to discourage new investment.

- (d) Regulation/Certification - The IPA is also charged with the processing of applications for certification from foreign investors. This is foreseen to require mainly the speedy establishment of the bona fides of the investor. It is not envisaged that there will be a major IPA review process for certification, and it is anticipated that it will be given within a maximum of 45 days. (It should be noted that certification of a new foreign investment does not indicate that the proposal has the approval of the government. It is rather a small but necessary first step, indicating to the investor that he may now go on to seek the various other licenses and permits required by other agencies.)

The IPA is also charged by the Act with the "Protection of National Business Interests". This is intended primarily to help the small indigenous business sector, and involves IPA's administration of a list of "reserved activities" in which foreign investment is not permitted (Annex IX).

In addition the IPA will have the large task of maintaining the national Company Registry of all firms, domestic and foreign, operating in PNG. This is an activity transferred from another agency, has had a number of problems in the past, and may require considerable attention and application of a new computerized management system to bring the back files up to date and to speedily process new applications.

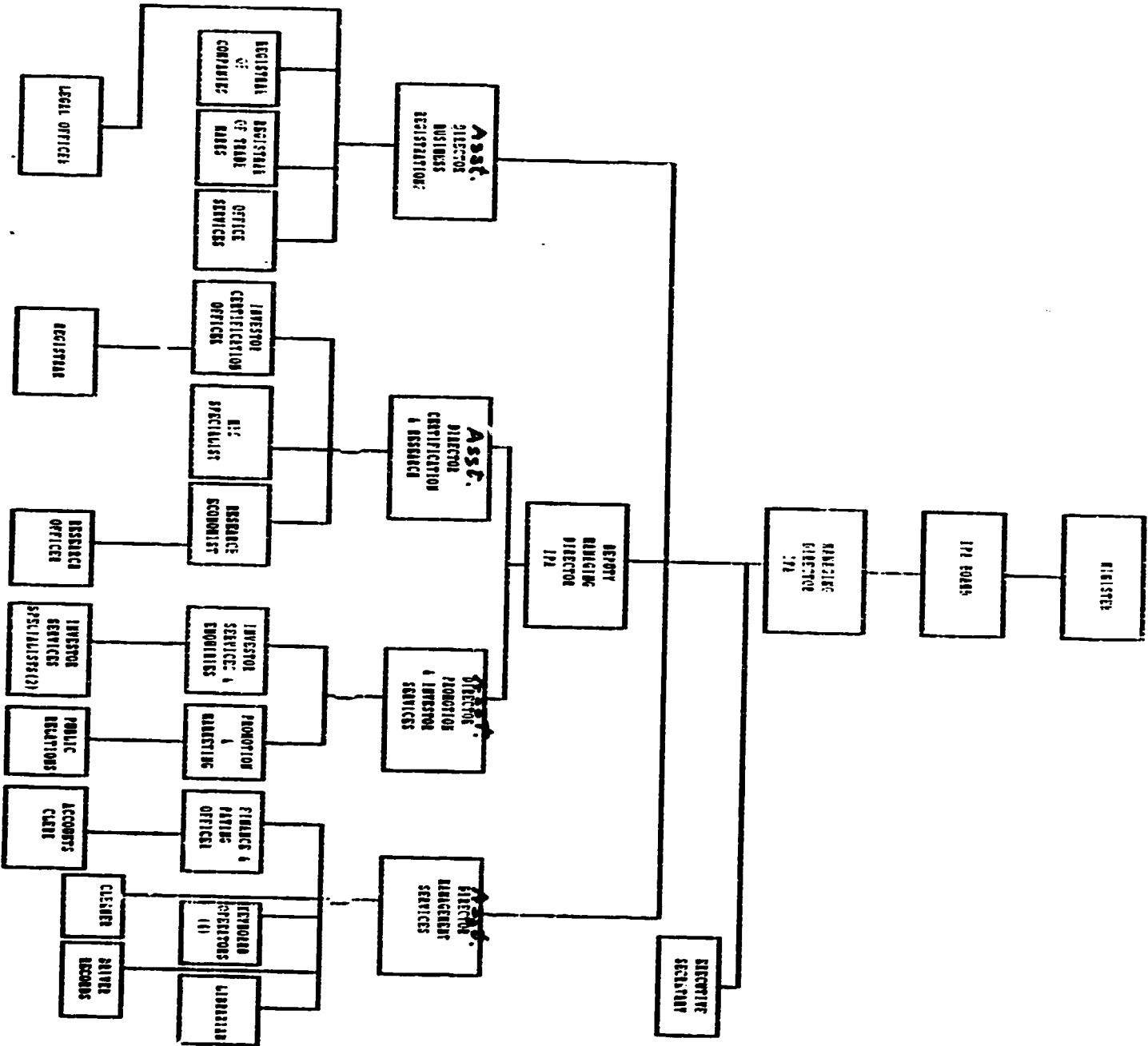
CHAPTER III

ORGANIZATION OF IPA AND PLANS FOR THE FUTURE

The IPA is beginning operations with a skeleton staff soon to be augmented with a number of experienced expatriates. The Executive Director of the predecessor agency, NIDA, will continue as Managing Director, to be assisted by a Deputy Managing Director who is being recruited from abroad. A full list of current and newly-hired staff are listed in Appendix X.

As indicated in the IPA organization chart on the following page, the Authority is divided into four sections each of which are to be led by an Assistant Director. The sections are;

- (1) Business Registration
- (2) Certification and Research



(3) Promotion and Investor Services

(4) Management Services

Business Registration - This involves registration of all firms operating in PNG, and also maintaining the Trademark Register, which are not related to the investment promotion emphasis of the rest of the organization. For that reason it has not been given much attention in this study but, as noted above, it will require considerable restaffing and reorganization, and some time before this section will be able to operate efficiently.

Certification and Research - Expedition certification of a proposed new foreign enterprise will be an important first signal to the investor that the IPA and PNG generally are hospitable to foreign business. Beyond that the research arm of the organization can make a major contribution in enabling the IPA adequately to service its clients. This might involve substantive backup to public inquiries from potential investors, or carrying out special investigations to obtain background information for an investment. It should also have major inputs into all IPA publications and other publicity activities.

Promotion and Investor Services - This would appear to be the core area of IPA with responsibility for both the **Promotion/Marketing** and the **Facilitation** functions indicated in the previous chapter. This will require a particularly well-trained and highly-motivated promotional staff, able to deal confidently with the public. They will need to have bright and well-informed personnel, up-to-date on recent developments in Government and the PNG economy, and conversant with laws and procedures. Further these will also be officials who are familiar with the business operations of foreign companies and are knowledgeable about the major financial and technical and logistical requirements for the establishment of a new enterprise in PNG. This section will have the capability to bring together potential national partners with the foreign applicant, and to help bridge the cultural and operational gaps that often arise. Staff of this section will also have to develop a talent for trouble-shooting throughout the government and the country, given all the hurdles that most new businesses face.

While the above focuses on the salesmanship abilities of IPA's staff, they surely will also have a cautionary and protective role to play. For as representatives of PNG, they have also to be sensitive to and understand and apply safeguards to protect the resources, land and varied cultures of the nation, both the natural and social environment.

Management Services - This section will have the responsibility for seeing that the organization is well-staffed and provided with the necessary support services, including computer systems, to assure that the work is well and promptly performed. As part of this section, the Library (perhaps better named Documentation Center) will also be an vital back-up to the rest of the organization and the public. It should provide a central source of basic economic and government data, laws, regulations and other information relating to the investment process and climate in PNG. It should also have basic reference works on foreign business as a source of information for potential PNG venture partners, and access to a world-wide, on-line data base.

Future Plans - The IPA's major near-term objectives generally relate to organizing the new office and personnel staffing. It is anticipated that as soon as the Deputy Managing Director and the Assistant Directors of the four sections are in place a more comprehensive review of organization and staff requirements will be undertaken. It is estimated that the recruitment campaign for the perhaps 15 PNG nationals' professionals and support staff can seriously begin by July. It may be the end of 1992 before the new group of recruits are all in place.

In the meantime a number of regular, continuing and scheduled activities must be carried on, as potential investors continue to contact the office. And as a new organization with expanded functions the IPA will want to get the message out, both in the country, throughout the government and abroad, that a new and more active promotion effort is on the way. This means a ongoing public relations role, new publications to plan, a new Board to be organized, and budgeting and other planning for the future to commence. As the IPA Board brings together formally for the first time private sector nominees in addition to government representatives in the investment

promotion process, how the Board is organized and guides the operations will be important to the success of the IPA (See Ref. VII).

Shortly the new staff will have to be installed, oriented and longer term training programs gotten underway. It is anticipated that substantial technical assistance from abroad will be required at an early date, but probably cannot be arranged much before the beginning of 1993. However TA requests need to be submitted to the Department of Finance and Planning shortly in order to be included in the government's 1993 TA budget.

CHAPTER IV

FINDINGS AND CONCLUSIONS.

A. General

1. The Investment Promotion Authority (IPA) has just established new and expanded offices in a modern building in the center of Port Moresby. The IPA is a statutory body with major private as well as public representation in its governing Board (Annex VII). The private sector, both foreign and domestic, clearly has high expectations that this new IPA will be both stronger and more effective in fostering and promoting business enterprises of all kinds, and thus furthering development and wider prosperity.

The Managing Director of IPA is Nigel Agonia, and as the former head of NIDA he played a major part in the planning for the new Authority. With respect to the other staff, IPA will start with nearly an entirely new roster. It is anticipated that by the end of June five new expatriate officials will join the organization to staff the higher executive positions. (Annex X). Recruitment of new PNG nationals to fill the middle level positions will follow. IPA, with a new legal status, not fully part of government and the civil service system, is able to be more flexible in its hiring practices and in the salaries that it can offer. It is anticipated that with this greater freedom and higher pay the IPA will be able to attract bright young professional staff from the private sector as well as from the government and from abroad.

In the meantime potential investors continue to knock on the door and inquiries from abroad will have to be dealt with. There will be a very difficult period through the rest of 1992, as the Managing Director must bring on board and initially become operational mainly with expatriates new to Papua New Guinea. In addition during the next few months IPA will have to flesh out its organization chart with position descriptions, advertise, evaluate, hire and train the 15 or so PNG nationals who will be added to the staff. The IPA has also been assigned the rather unrelated function of Registrar of Companies for PNG, a regulatory role previously carried out elsewhere. The Registry office also has a range of existing problems which will have to be dealt with by new personnel and procedures.

In the view of the consultant it is very important that priority be given to recruiting a mature, experienced Papua New Guinea citizen to be groomed for a top management role in the IPA. He might be given a somewhat extended training and internship period with the organization and abroad. But before long the Managing Director is going to need considerable assistance in dealing with the often complicated and sensitive task of assisting and troubleshooting investment applicants through the complex PNG government approval process (see Annex XI).

2. The major purposes of the Act, are both the promotion and the facilitation of "investment (in PNG) by citizens and foreign investors". This is in striking contrast to the earlier NIDA Act which reflected a widespread view that foreign investment should only reluctantly be sought, and that it must be very strictly controlled and regulated. In large measure the restrictive, regulatory role of NIDA was not passed to IPA, the major exception being the preserving investment for PNG citizens in a limited number of "Reserved Activities". These are areas of business enterprise that are mostly small scale or traditional industries, and the small services sector, from which foreign investment is excluded (Annex IX).

3. The major challenge for IPA and indeed for the entire government and the nation at large is to carry through with active "promotion" and "facilitation" of investment, foreign, as well as domestic, as stated in the act. One need only read the daily press in Port Moresby to realize how conflicted the nation really is about the desirability of foreign investment. There is still rather widespread doubt that the foreign investor is to be "trusted" to serve the interests and economic welfare of the PNG communities involved, while enjoying a viable and profitable business environment.

Very lively public debates over the appropriate role for FDI and terms for accepting a major new foreign project are an almost daily occurrence among the various national agencies, local government, and not least of all the community where the new enterprise is to be located. And the outcome of these controversies seem often to be in doubt. The IPA can play an important part in persuading the nation that foreign investors are welcome, but only in so far as it reflects broad government policy and community support. Moreover, new projects must be built with adequate safeguards concerning the culture and environment, land use, sharing of the revenue, etc. There will have to be a more widespread view that such investment is essential if PNG it is to be able develop its rich potential fairly rapidly, to gain the technology transfer and training it needs, and to acquire the marketing capability that is available from abroad.

4. The establishment of a "One-Stop Shop" for foreign investors has often been proposed and debated amongst professionals in the literature (Ref. 12,13). The logic is clear -- investors are often new to a country, confused by its laws and procedures, and a plausible way of facilitating the investment is to centralize the approval process as much as possible. It is doubtful whether there are many investment agencies around the world that meet this definition. In any case the IPA has not been conceived as a "One-Stop-Shop". In Papua New Guinea the process of securing final approval for an investment proposal has many steps, and in the recent past the substantive Government Department (Mines and Energy, Agriculture, Forestry or Fisheries) normally takes the lead. And there are typically a number of other participants in addition to the substantive Departments, including the Departments of Lands and Environment, and usually local governments are also involved in the final approval, for a project to go ahead.
5. NIDA in the past usually did not play a major part in helping the potential investor through the bureaucratic maze of permits and approvals. The new Act gives IPA the mandate for "assisting investors to obtain business compliances and approvals," as well as "to facilitate the introduction of (PNG) citizens and foreign investors to each other...." To carry out out this mandate the IPA will need to have staff that is both very well informed on the PNG economy and government operations, with the capability to provide investors with appropriate guidance on how to proceed and to deal with other agencies. Beyond this, and in a ground breaking role, IPA is expected to intervene on behalf of investors with the rest of the government if another agency is believed to be dragging its feet on a decision. And further the Act gives the IPA the right of appeal through the Minister of Trade and Industry to another Minister, and ultimately to the National Executive Council (NEC), the Cabinet, to secure action. How this facilitation process evolves in practice remains to be seen, as IPA becomes more engaged in advocacy on behalf of new investors while taking into consideration local conditions and concerns. In this respect the ability of the IPA to establish links and a good and trustful relationship with other National and Provincial Government agencies will be critical to its success.
6. Given the basic level of industrial development in PNG and the lack of a sizeable pool of experienced or potential new entrepreneurs, the IPA will surely have to target its investment promotion activity rather carefully. Broad and unfocussed investment missions are not likely to be very successful.

A first step would be for IPA to build a closer relationship with the existing business and industrial establishment. This should be facilitated by the presence on the IPA Board of a number of business organization representatives. It seems that successful businessmen already operating in PNG are the most likely individuals to promote and attract new investors, and they also offer the most potential as joint

venture partners. PNG is not now well known aside from the mineral/petroleum sector and it is the other businessmen that have found the way to operate in an often difficult environment who must be enlisted to sell the country abroad.

7. One of the early challenges to IPA will be to host an American investment mission, now scheduled for September. Sponsored by the U.S. Overseas Private Investment Corporation (OPIC). This mission is already being planned in the U.S. and it is understood that several petroleum service companies have expressed interest in joining.

8. Donors - The establishment of the IPA is the culmination of the long-term UNIDO/UNDP Industrial Promotion Project. The new emphasis in Papua New Guinea on foreign investment promotion has been strongly supported and applauded by the World Bank, the Asian Development Bank (ADB), and other donors in connection with Structural Adjustment. It only seems logical that both of these two major multilateral organizations should now seriously consider participation in the Technical Assistance support required by the IPA to get it well underway. Both banks can provide TA in connection with ongoing sectoral or other loan projects. And separate Advisory TA is available from the ADB. It is thought that one of these two organizations might be the most likely source of the substantial funding required for the Senior Management Advisor (Consultant No.1). (Further discussion of potential donor activities are found in Part E of this Chapter).

B. Tentative Plan of Technical Assistance for Institution Building

The proposed TA program envisages several phases in the growth and evolution of the IPA as it enlists and trains new staff members and begins to assume the new roles given to it by the Act. In particular the promotion and facilitation functions will require very considerable assistance from abroad for several years. Taking on the new Business Registration responsibilities also imply the need for external advice and help. Establishment of a new Documentation/Center Library is envisaged, management of several new data bases is required, and training will be necessary for new staff.

Highlights of the next several years are expected to develop along the following lines:-

1992 - a Year of Organization

- New Expatriate Senior Managers Report
- Board Organized and Procedures Established
- Staffing Patterns Developed
- Recruitment, Orientation
- Work on Medium Term Corporate Plan
- Public Relations Campaign, Phase I

1993 - a Year of Preparation and Training.

- Foreign Advisors and Experts
- Formal In-House Training
- Internships Abroad
- Documentation Center/Library
- Roster of Investment Opportunities Set Up
- Detailed Medium Term Corporate Plan
- Public Relations Campaign, Phase II

1994-95 - Years of Consolidation

- Investment Missions
- Sectoral Studies
- Promotion/Facilitation Procedures in Place
- Refinement of Promotional Publications and Programs
- Company Register Reformed

C. Summary of TA Programme

The following table highlights the major elements in an ambitious programme to help IPA to become an effective promotional organization that will be sought out by foreign investors interested in opportunities in PNG. The major part of the programme would provide six key advisors and experts, with other elements devoted to costs of training abroad, equipment, studies and travel. The consultants are listed in the approximate priority order in which they are required.

IPA TECHNICAL ASSISTANCE PROGRAMME

A.	<u>CONSULTANTS</u>	<u>TASKS*</u>	<u>NO. OF MAN. MONTHS</u>	<u>TIMING</u>	<u>COSTS</u> <u>(US\$ '000)</u>
	1. Management Advisor	All Activities Involved	36	1993-95	450
	2. Promotion/Communication Expert	6,15,27	18	1/1 1993- 30/6 1994	225
	3. Documentation/Library Specialist	22	12	1993	150
	4. MIS/Computer Expert	4,21,22	12	1993	150
	5. Training Expert	19,20,29	12	1993	150
	6. Organization Expert for Company Register	12,13	6	1993	75
					1,200
B.	<u>OTHER ACTIVITIES</u>				
	1. Fellowships Abroad/Secondments to Other Agencies Abroad	24			100
	2. Short Term Training/Conferences				100
	3. Preparation of Promotional Material				100
	4. Documents/Books/Computer Software/Initial Costs for access to Data Bases				50
	5. International Travel for TA Staff				100
	6. Sectoral Studies				100
	7. Contingencies (vehicles, etc.)				100
					<u>1,850</u>
		GRAND TOTAL			<u>1,850</u>

*References to Task numbers listed above may be found in the following Chart, Tentative Medium Term Plan for Institution Building, pages 18 and 19.

D. Justification for Major TA Requirements for IPA, 1993 - 95*

Technical Assistance Consultants.

1. **Management Advisor** - IPA would greatly benefit from the hands-on expertise of a senior advisor with substantial experience in one or more investment promotion agencies, preferably in Southeast Asia. A current or former senior officer from one of these agencies would be ideal. He would work in particular with the Promotion and Investor Services Section, but would be available broadly to advise the Managing Director, and all parts of IPA on programs, organization and management, and participate in In-House Training programs.

Timing : 3 years, beginning January 1, 1993, sooner if possible.

Cost : \$450,000, possibly partially covered by secondment from an Asian investment agency.

2. **Promotion/Communications Expert** - This consultant would be particularly experienced in the promotional activities which investment agencies carry out to attract and inform potential investors abroad. His skills would be advisory and assisting the IPA with publications, public relations, planning and managing investment missions and other marketing events. He would participate in the planning and execution of the IPA's Public Relations Campaign, Second Phase, and assist in the preparation of Sectoral Promotion Activities at a later date. He should have experience in a similar investment agency in the developing world.

Timing : 18 months, beginning January 1, 1993

Cost : \$225,000, with possible secondment.

3. **Documentation/Library Specialist** - The IPA currently has very limited library/research facilities. To carry out its new promotional responsibilities it will need assistance in planning, assembling and utilizing a full range of economic, business and government manuals, documents and laws for IPA staff, other agencies and IPA clients. There will also have to be international business directories and other information available to assist PNG entrepreneurs seeking information on foreign partners. The Specialist should be familiar with the work of other promotion agencies, with on-line international data bases, and have a good overview of the kind of information required for staff and clients.

Timing : 1 year, beginning January 1, 1993 sooner if possible

Cost : \$150,000, secondment might be possible

4. **MIS/Computer Expert** - The new IPA will require very substantial assistance in expanding and refining its computer system and increasing staff capabilities in order to create and manage the at least four data/file bases for which the Authority will be responsible. Of primary importance is:

- (1) Maintaining a tracking system to record all investment inquiries and proposals to assure prompt follow-up response and/or action.

*Position Descriptions for the Advisors/Experts are found in Annex XII.

- (2) Maintaining and upgrading the Company Register (now in poorly-organized paper files),
- (3) A Register of Foreign Business Opportunities in PNG
- (4) Records of the Applications for Certification of New Foreign Investment

The expert should be familiar with the design of computer programs for achieving these tasks, and be able to advise on the appropriate equipment and software required. Familiarity or experience in similar foreign investment agencies would be a great advantage for the position.

Position would also be involved hands-on and formal training programs for officers and support staff in the use of the new systems adopted, as well as improving the computer capabilities of the secretarial staff in more sophisticated word processing, graphics and Lotus type programs required for the broad range of promotional activities.

Timing : 1 year, beginning January 1, 1993

Cost : \$150,000

- 5. Training Expert - This specialist would be responsible for planning and initiating a series of training activities for new staff, both at the professional and support staff levels. He would assist in identifying courses that would be useful in orientation of new professional staff at local institutions such as the University of Papua New Guinea and Administrative College. He should design in-service training taking advantage of the skills available in senior staff and the other experts. Appropriate computer competence at all staff levels should be the objective of training with word processing, data bases and graphics programmes. He would also advise on overseas training and internships in counterpart agencies.

Timing : 12 months beginning January 1, 1993

Cost : \$150,000

- 6. Organization Expert for Company Register, Trademarks, etc - As discussed, the Company Register section requires both new staff, and a complete reorganization -- both of the old paper filing system and a new computerized data base for the future. This will require the advice and assistance of an experience official from another country's company register office and/or an expert from WIPO, the World Intellectual Property Organization.

Timing : 6 months, in 1993

Cost : \$75,000

Other Technical Assistance

In addition to the several advisors and experts described above, there are a number of other related activities which would enable IPA to have an experienced staff and efficient organization as early as possible. Included in these proposals are some back-up expenses (travel/equipment) to assist the experts in their tasks. Funding for these activities should also be sought at an early date, especially for the training and secondments abroad for the new professional staff.

1. Fellowships/Secondments - High priority should be given to arranging familiarisation opportunities (even brief) for most of the new professional staff in other investment promotion agencies abroad. It would give them an opportunity to observe fully operational agencies and to talk and work with counterparts. Fellowships abroad for courses in international business topics, promotion methods, public relations, etc should also be sought.

There should also be the opportunity to bring in staff on loan from other national promotion agencies to work for a time at IPA, helping with special projects and programmes.

2.

Timing: For at least a 2 year period beginning as soon as possible

Cost: \$100,000, to be partially covered by host agencies.

2. Short Term Training/Conferences - IPA should be able in its early years to send staff to appropriate training courses abroad, as well as attending conferences. Topics would be pertinent to the broad promotional goals of IPA including gaining a broader understanding of international business and investment.

Timing: As available opportunities occur

Cost: \$100,000

3. Preparation and Distribution of Promotional Materials

This assistance would provide an opportunity for IPA to use companies or consultants from abroad in the preparation, printing, and distribution of promotional materials. They would include general marketing literature, focused brochures for specialized investment missions, and videos. It would offer back-up funding for the work of the Promotion/Communications Expert.

Timing: 18 months, beginning in 1993

Cost: Up to \$100,000

4. Documents/Books/Computer Software/On-Line Data Base

This element of the TA is intended for back up supplies and equipment for the work of the several experts, and in expediting a speedy start-up of IPA. It would include the purchase of books, periodicals and other documentation from abroad for the new Documentation Center/Library. It could also finance an initial subscription to an on-line, international data base, as well software for the information and operational needs of the organisation.

Timing: 1993 - 1995

Cost: \$ 50,000

5. International Travel for TA Advisors and Experts

This funding would enable the Advisors and Experts to travel for consultations with counterpart agencies, in the region as well as conferences and meetings of pertinence to their work at IPA.

Timing: 1993-94
Cost: \$100,000

6. Sectoral Studies

In order better to target investment opportunities in PNG economic and technical studies of industrial sectors or sub-sectors are sometimes useful in planning investment missions and assessing investment priorities. They can be of assistance both to local joint venture partners and to potential foreign investors in identifying good prospects. These studies are generally carried out by foreign consulting firms.

Timing: 1993-1995
Cost: \$100,000

7. Contingencies

This funding would be available to the Managing Director, mainly for special capital purchases of equipment essential to the program for which budgeting is tight. It might include items such as audio-visual equipment, computer hardware for system expansion or upgrading, and vehicles.

Timing: 1993-1995
Cost: \$100,000

E Potential Donors - Sources of T A Financing

There are a number of donors with PNG programs in areas more or less closely related to the expanded role of IPA. Many donors broadly support private sector development, investment and trade promotion. In particular there are numerous programs aimed at those key sectors most auspicious for both foreign and domestic investment such as the fisheries, forestry, and food processing industries. It is anticipated that IPA could tap into some of these programme funds for Experts and other TA.

The donors and programs thought to offer prospects for assistance to IPA activities are:

1. UNIDO/UNDP

- Follow up assistance to the just completed Industrial Promotion Project
- Proposed UNDP/FLAS "ICP-5 Regional Programme on Foreign Investment Promotion".

2. World Bank (IBRD)

- Possible T A in connection with future sectoral loans and/or in the area of Structural Adjustment.
- FLAS (Foreign Investment Advisory Service) of IFC - has offered assistance with Management Systems Software developed by FLAS to facilitate tracking of foreign investment applications, and other administrative problems.

3. Asian Development Bank

- T A may be available in connection with sectoral loans in areas such as fisheries and forestry and Industrial Centre development. Also SIP-Special Intervention Loan, and a further Industrial Loan is anticipated following the current ADB Industrial Sector Study.
- New T A projects may be requested by PNG for Advisory Services funded by ADB Grants.

4. U.S. Agency for International Development (USAID)

- USAID and the PNG Government have recently signed a long-term agreement for assisting the growth of the private sector and increasing cooperation between the two countries in the fields of trade and investment. The project, called Market Access and Regional Competitiveness (MARC) Programme, offers Technical Assistance directly to private sector firms and organizations to foster new business creation and growth. A potential feature of the MARC Programme is a projected assignment of one full-time A.I.D. Private Sector Advisor, to be stationed in Papua New Guinea. While the Advisor has not yet been defined nor recruited, it is anticipated that he would be available to advise and assist IPA, and conceivably might be based part-time in the Authority offices.
- MARC, as part of a broader South Pacific business support programme, will also offer other forms of Technical Assistance to PNG on a short-term basis. Advice and assistance for investment missions and other promotional activity could be considered.
- AID's Indefinite Quantity Contract (IQC) Program offers relatively quick recruitment of TA experts in a variety of areas in support of private sector development.
- The International Executive Service Corps (IESC) - offers experienced former executives from U.S. business and industry to work as advisors in Third World organisations. The IESC also has a special Trade and Investment Promotion programme.
- AID/TDP - A Feasibility Study financing scheme available to develop and prepare investment proposals for U.S. companies.

Malaysia, Fiji, Thailand - These relatively nearby developing countries all have been quite successful in promoting foreign investment and the IPA Managing Director has visited and established ties with some of their agencies. It is particularly recommended that these investment promotion agencies be approached to ascertain the kind of internships and other training opportunities they are willing to offer IPA staff, short or longer term. They might also be requested to make staff available for assignment at least on a short term or special need basis.

Other countries - Australia, Federal Republic of Germany, Japan, New Zealand and the European Community (EC).

TENTATIVE MEDIUM TERM PLAN FOR INSTITUTION BUILDING ACTIVITIES FOR IPA

Year/Quarter	1992				1993				1994				1995				NEED FOR TECHNICAL ASSISTANCE
	3rdq	4thq	1stq	2nd	3rdq	4thq	1stq	2nd	3rdq	4thq	1stq	2nd	3rdq	4thq			
1. Finalize physical establishment of IPA	█																
2. Establishment of Board/first Board Meetings	█																
3. Internal organization/division of work between Board and Managing Director	█																
4. Development of administrative routines																	United TA requirements, primarily in computerized routines
5. Public relations campaign, 1st phase																	Assistance in preparing brochures and other publicity material; TA required for professional campaign
6. Public relations campaign, 2nd phase																	
7. Prepare 1993 budget																	
8. Sub-sector studies (by DTI/consultants)																	Short term consultants under DTI budget
9. NEC (Cabinet) policy directions (submission)																	
10. Medium term overall corporate plan																	
11. Mobilize financing of TA programme																	
12. Prepare plan for reorg. of Company Register																	Short term consultant required
13. Reorganisation of Company Register																	
14. Domestic networking																	
15. International networking																	TA required
16. Detailed medium term corporate plan																	TA required
17. Recruitment of national staff																	TA required
18. Mobilisation of staff for TA programme																	TA required
19. Preparation of training programmes																	TA required
20. Implementation of training programme																	TA required
21. Establishment of LAN based Man. Info. System (MIS)																	TA required
22. Establishment of Documentation Centre/Library																	TA required

Year/Quarter	1992		1993				1994				1995				NEED FOR TECHNICAL ASSISTANCE
	3rdq	4thq	1stq	2ndc	3rdq	4thq	1stq	2ndc	3rdq	4thq	1stq	2ndc	3rdq	4thq	
23. Secondment to other inv. promotion agencies abroad															
24. Implementation of TA programme															TA Required
25. Transfer of promotion functions from DTI to IPA															
26. Transfer of Feasibility Studies Scheme (FSCS) from DTI to IPA															
27. Preparation of promotional plans for specific sectors															TA required
28. Preparation of budget for 1994, 1995 and 1996															
29. On-the-job training in actual investment promotion operational activities															TA required

ANNEX I

JOB DESCRIPTION

DP/PNG/86/002/11-60

POST TITLE **Consultant in investment promotion assistance**

DURATION **Six weeks**

DATE REQUIRED **3 February - 13 March 1991**

DUTY STATION **Port Moresby, Papua New Guinea**

PURPOSE OF PROJECT **To prepare an outline for a Technical Assistance to the Investment Promotion Authority (IPA) as a basis for consideration by the Government and various potential funding agencies.**

DUTIES

The assignment will be an integrated part of DP/PNG/86/002 and will be financed under this project.

The expert will work under the general guidance of the Chief Technical Advisor (CTA). In his work, the expert will closely liaise with the Executive Director of the National Investment and Development Authority (NIDA), the predecessor of IPA, and the Secretary of the Department of Trade and Industry (DTI).

The specific requirements are as follows:

- 1. To identify and propose major programmes and activities to be included in IPA's strategic and operational plan over the medium term.**
- 2. To identify needs for institution building assistance in the short and medium term in respect of IPA.**
- 3. To outline objectives, outputs and major activities of a Technical Assistance as well as inputs in the form of consultants, training and other components to achieve the objectives of the Technical Assistance.**

4. To outline the timing of the various components proposed under the Technical Assistance.
5. To prepare an overall budget for the Technical Assistance.
6. To identify potential areas of activity of the Technical Assistance.
7. To identify alternative executing arrangements for the Technical Assistance.
8. To prepare an end-of-mission report.

QUALIFICATIONS

The candidate should have a university degree in fields related to investment promotion, such as business administration, marketing, economics or equivalent. At least 15 years experience of investment promotion is required including experience from the setting up or operations of investment promotion agencies in developing countries. Fluency in English is required.

BACKGROUND INFORMATION

NIDA has for long been considered as an obstacle to private sector investment in PNG. The legislation is very regulatory in nature, and lack of competent staff and funding has prevented it from fulfilling truly investment promotion functions.

In 1990, the Government decided, in line with its policy to promote private sector investment, to abolish NIDA and to establish in its place a new investment promotion agency, viz. the IPA, emphasising investment promotion functions and reducing regulatory functions to a minimum.

In 1991, the new legislation was prepared, approved by the Cabinet and presented to Parliament in its November session. It is expected that the Act establishing the IPA will be passed by Parliament in February 1992 and be brought into force together with regulations in April 1992.

IPA will require substantial assistance in its establishing phase in order to enable it to perform its functions satisfactorily within a reasonable time period. The present consultancy aims at assisting the Government to approach various agencies to provide the Technical Assistance to IPA.

ANNEX II

Counterparts in PNG Government.

Nigel Agonia, Managing Director, Investment Promotion Authority (IPA)

Robert Igara, Secretary, Department of Trade and Industry

Mikael Breanning, Chief Technical Advisor-UNIDO/Department of Trade and Industry

ANNEX III

Individuals Contacted in Preparation of Study.

Aysha Yusuf, Assistant Secretary, Planning & Information, Department of Trade & Industry

Adrian Loeff, Small Industries Adviser, UNIDO, Department of Trade & Industry

Elias Kedeck, First Assistant Secretary, Industry, Department of Trade & Industry

Fru Williams, Deputy Director, OIDA, Department of Finance and Planning

Greg Anderson, Executive Officer, PNG Chamber of Mines and Petroleum

Gleam W. Patterson, South Pacific Regional Manager, IMCC Trade & Investment

John Millett, Director, Institute of National Affairs

Louis H. Kuhn, Assistant Director, USAID

Lars Lovdahl, Employment and Investment Planning, Department of Finance and Planning

Raymond A. Manoff, Director, Project Development Export Programs, IMCC

Matt Moran, Executive Director, Trade Development Institute of Ireland, representing the European Community

Paul A. Neureiter, Commercial Attache, American Embassy

Philip D. Franklin, Chairman, Lae Chamber of Commerce

Robert E. Prosser, Partner, Coopers & Lybrand

Siba Kumar Das, Resident Representative, UNDP

Stan Joyce, Chairman, PNG Chamber of Commerce & Industry

Department of Fisheries and Marine Resources

Robert Vanole, Chief Economist

Hendy Landu, Economist

Lea Rodwell, ADB Coordinator

ANNEX IV

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INDEPENDENT STATE OF PAPUA NEW GUINEA.

A BILL

for

AN ACT

entitled

Investment Promotion Act 1991.

Being an Act to provide for the promotion of investment in the interests of national, social and economic development, and for that purpose to establish a body to be known as the Investment Promotion Authority; to define its powers and functions and to repeal certain Acts; and for related purposes,

MADE by the National Parliament to come into operation in accordance with a notice in the National Gazette by the Head of State, acting with, and in accordance with the advice of the Minister.

PART I. - PRELIMINARY.

1. PURPOSES OF ACT.

The purposes of this Act are:-

- (a) to promote and facilitate investment in the country by citizens and foreign investors; and
- (b) to provide for the grant of a certificate to a foreign enterprise; and
- (c) to define the activities open to a foreign investor; and
- (d) to provide for a register of foreign investment opportunities; and
- (e) to promote investments which -
 - (i) contribute to economic growth;
 - (ii) create new jobs;
 - (iii) utilize domestic resources and, in particular, renewable resources;
 - (iv) assist in skills acquisition;
 - (v) expand exports;
 - (vi) develop remote areas of the country; and
 - (vii) facilitate increased ownership of investment by citizens; and
- (f) to establish the Investment Promotion Authority to assist the State in achieving the purposes specified in this Section.

ANNEX VI

6. FUNCTIONS OF THE INVESTMENT PROMOTION AUTHORITY.

The functions of the Authority are, in accordance with any directions of the National Executive Council on development objectives and policies -

- (a) to provide information to investors in the country and overseas; and
- (b) to encourage and facilitate investment in the country by assisting investors to obtain all necessary licences, compliances and approvals; and
- (c) to facilitate the introduction of citizen and foreign investors to each other and to activities and investments of mutual benefit; and
- (d) to provide a system of certification of a foreign enterprise and to require that a foreign enterprise may only carry on business if so certified; and
- (e) to advise the Minister on policy issues which relate to this Act; and
- (f) to maintain a register of foreign investment opportunities; and
- (g) to facilitate citizen participation in investment and in the ownership of national and foreign enterprises; and
- (h) to carry out such other functions as are given to the Authority by this Act or by any other law; and
- (i) generally to do such supplementary, incidental or consequential acts and things as are necessary or convenient for carrying out its functions.

7. POWERS OF THE AUTHORITY.

(1) The Authority has, in addition to the powers otherwise conferred on it by this Act and any other law, power to do all things necessary or convenient to be done for or in connection with the performance of its functions.

(2) Where in the opinion of the Minister a State body has unduly delayed the issue or grant or consideration of a licence, compliance or approval, he may refer the matter to the Minister responsible for such State body.

(3) The Minister to whom reference is made under Subsection (2) shall provide to the Minister within 30 days of such reference a report on the reasons for the delay and the measures that are being taken or will be taken to minimize any further delay.

(4) If, following the report of the Minister under Subsection (3) there is a further delay which, in all the circumstances, the Minister considers unreasonable and unjustified he may refer the matter to the National Executive Council which shall consider the matter and give such direction as it considers shall best give effect to the purposes of this Act.

ANNEX VII

8. BOARD FOR THE INVESTMENT PROMOTION AUTHORITY.

(1) There is established a Board for the Investment Promotion Authority.

(2) The Board shall perform the functions, exercise the powers and manage and direct the affairs of the Authority.

9. MEMBERSHIP OF THE BOARD.

(1) The Board shall consist of -

- (a) the Departmental Head of the Department responsible for trade and industry matters or his nominee, *ex officio*; and
- (b) the Departmental Head of the Department responsible for financial and planning matters or his nominee, *ex officio*; and
- (c) the Managing Director, *ex officio*; and
- (d) two Members nominated by the Papua New Guinea Chamber of Commerce and Industry; and
- (e) one Member nominated by the Rural Industries Council; and
- (f) one Member nominated by the Liklik Bisnismanmeri Association Incorporated; and
- (g) one Member nominated by the Papua New Guinea Chamber of Mines and Petroleum; and
- (h) two Members appointed by the Minister.

(2) The Members referred to in Subsection (1)(h) -

- (a) shall be appointed by the Minister by notice in the National Gazette; and
- (b) shall be appointed for a term of three years; and
- (c) hold office on such terms and conditions as are determined under the *Boards (Fees and Allowances) Act* (Chapter 299); and
- (d) are eligible for re-appointment.

(3) The nominee referred to in Subsections (1)(a) and (b) shall be a person holding an office in the National Public Service not less than that of a First Assistant Secretary or the equivalent office.

(4) The persons referred to in Subsections (1)(d) to (h) shall be ordinarily resident in the country.

(5) If a body referred to in Subsections (1)(d) to (g) ceases to exist and is unable to nominate a person for membership to the Board the Minister may appoint a person in their place who shall, so far as is practicable, be representative of the interests of the group comprised by the body.

10. ALTERNATE MEMBERS.

(1) For each of the persons appointed under Subsection (1)(d) to (h), an alternate member shall be appointed in the same way and subject to the same conditions as the member for whom he is the alternate.

ANNEX VIII

PART V. - INVESTMENT GUARANTEES.

37. INVESTMENT GUARANTEES.

(1) The provisions of this section shall apply to a foreign investor except where treatment more favourable to the foreign investor is accorded under any bilateral or multilateral agreement to which the State is a party.

(2) There shall be no nationalization or expropriation of the property of a foreign investor except -

- (a) in accordance with law; and
- (b) for a public purpose defined by law; and
- (c) in payment of compensation as defined by law.

(3) Subject to any laws relating to taxation and exchange control, a foreign investor shall be allowed the right -

- (a) to remit overseas earnings and repatriate capital; and
- (b) to remit amounts necessary to meet payments of -
 - (i) principal, interest and service charges; and
 - (ii) similar liabilities on foreign loans; and
 - (iii) the costs of other foreign obligations, approved by the State,

at the exchange rate prevailing under the law at the time of remission or repatriation.

(4) Subject only to the exchange rate prevailing under any law at the time, a foreign investor shall be allowed the right to remit overseas all compensation received in accordance with the guarantees under Subsection (2)(c).

(5) Subject to any existing laws and to any agreement between the State and a foreign investor, no rate, tax, rent, charge, due, duty, tariff or other levy and no related procedure or practice, shall discriminate against a foreign investor or its investment on the grounds of its origin.

INDEPENDENT STATE OF PAPUA NEW GUINEA.

STATUTORY INSTRUMENT.

No. of 1992.

Investment Promotion Regulation 1992.

Being a Regulation,

MADE by the Head of State, acting with, and in accordance with, the advice of the National Executive Council under the *Investment Promotion Act 1992*.

1. INTERPRETATION.

In this Regulation -

- (a) where an activity is expressed as being small scale, the determination as to whether or not an activity is small scale shall be made by the Authority; and
- (b) where an activity is followed by numbers, those numbers refer to classifications according to the United Nations International Standard Classification of all Economic Activities (ISIC), Third Revision.

2. NOTICE OF OBJECTION.

A notice of objection under Section 26(4) of the Act shall be in Form 1.

3. RESERVED ACTIVITIES.

For the purposes of Section 27(1)(a) of the Act, the following activities shall be reserved for citizens:-

Agriculture, Hunting and Related Service Activities.

Small scale growing of crops, market gardening and horticulture (included in 011).

Small scale farming of animals (included in 012).

Poultry farming (included in 0122).

Small scale growing of crops combined with farming of animals (mixed farming) (included in 013).

Hunting, trapping and game propagation including related service activities (0150).

Forestry, Logging and Related Service Activities.

Gathering of wild growing forest materials: balatta and other rubber-like gums; cork; lac, resins and balsams; rattan; vegetable hair and eel grass; acorns and horse-chestnuts; mosses, lichens and cut evergreen trees used for festive occasions; saps; bark; herbs; wild fruits; flowers and plants; leaves; needles; reeds; roots; or other wild growing materials (included in 0200).

Investment Promotion

**Fishing, Operation of Fish Hatcheries and Fish Farms;
Service Activities Incidental to Fishing.**

Fishing on a commercial basis in coastal and inland waters (included in 0500). "Coastal" means within a distance of 3 miles of the shoreline.

Taking of marine or freshwater crustaceans and molluscs. Hunting of aquatic animals such as turtles, sea-squirts and other tunicates, sea urchins or other echinoderms and other aquatic invertebrates. Gathering of marine materials such as natural pearls, sponges, coral and algae (included in 0500).

Wildlife.

Hunting or collecting of non-protected fauna, including insects, shells, animal teeth, tusks, feathers, declared sedentary organisms and similar products and living or dead fauna.

Manufacturing.

Manual silkscreen printing (included in 2221).

Manufacture of handicrafts.

Commercial reproduction of artifacts.

Processing by sun drying or smoking of copra.

Processing of coffee through to green beans.

Construction.

Erection of fences (included in 4520).

Plumbing maintenance and repair (included in 4530).

Painting (included in 4540).

**Sale, Maintenance and Repair of Motor Vehicles and Motorcycles;
Retail Sale of Automotive Fuel.**

Wholesale and retail sale of second hand motor vehicles and motorcycles, except by a vehicle or motorcycle dealer authorized by an overseas manufacturer to sell new motor vehicles and motorcycles and in conjunction with such an authorization and when the wholesale and retail sale of second hand motor vehicles and motorcycles is incidental to the wholesale and retail sale of new motor vehicles and motorcycles (included in 5010 and 5040).

Maintenance and repair of motor vehicles and motorcycles, except by a motor vehicle or motorcycle dealer authorized by an overseas manufacturer to sell new motor vehicles and motorcycles and in conjunction with such an authorization and when the maintenance and repair activities are incidental to the wholesale and retail sale of new motor vehicles and motorcycles (included in 5020 and 5040).

Investment Promotion

Retail sale of automotive fuel, except by a motor vehicle or motorcycle dealer authorized by an overseas manufacturer to sell new motor vehicles and motorcycles and in conjunction with such an authorization and when the retail sale of automotive fuel is incidental to the wholesale and retail sale of new motor vehicles and motorcycles (included in 5050).

Wholesale and Retail Sale, except of Motor Vehicles and Motorcycles.

"Wholesale" includes wholesale sale by commission agents, commodity brokers and auctioneers and all other wholesalers who trade on behalf and on the account of others.

Wholesale and retail sale of crocodile skins including exports, unless in conjunction with crocodile farming or further processing of crocodile skins.

Wholesale and retail sale of commodity coffee and copra, except by growers and processors.

Wholesale and retail sale of handicrafts and artifacts.

Wholesale and retail sale of wild growing forest materials: balatta and other rubber-like gums; cork; lac, resins and balsams; vegetable hair and eel grass; acorns and horsechestnuts; mosses, lichens and cut evergreen trees used for festive occasions; saps; bark; herbs; wild fruits; flowers and plants; leaves; needles; reeds; roots; or other wild growing materials except for rattan.

Wholesale and retail sale of freshwater crustaceans and molluscs, aquatic animals such as turtles, sea-squirts and other tunicates, sea urchins or other echinoderms and other aquatic invertebrates and other marine materials such as natural pearls, sponges, coral and algae.

Wholesale and retail sale of non-protected fauna, including insects, shells, animal teeth, tusks, feathers, declared sedentary organisms and similar products and living or dead fauna.

Retail sale in general stores with a retail display area less than 200 square meters (included in 5211).

Specialized retail sale of newspapers and magazines (included in 5239).

Retail sale via stalls and markets (included in 5252).

Retail sale carried out from a motor vehicle or motorcycle (included in 5259).

Wholesale and retail sale of second hand clothing and footwear (included in 5240).

Retail sales of take-away prepared food for immediate consumption.

Investment Promotion

Repair of electrical household goods when not done in combination with manufacture or wholesale or retail sale of these goods (included in 5260).

Repair of footwear when not done in combination with manufacture or wholesale or retail sale of footwear (included in 5260).

Repair of watch, clock and jewellery when not done in combination with manufacture or wholesale or retail sale of these goods (included in 5260).

Hotels and Restaurants.

Provision on a fee basis of short-term lodging in places such as hotels, motels, inns etc., with less than 10 rooms of accommodation (included in 5510).

Sale of prepared foods and drinks for immediate consumption on the premises such as restaurants, cafes, lunch counters and refreshment stands employing less than 6 persons on a full time basis, except where these facilities are operated in connection with the provision of short-term lodging as specified above with 10 rooms or more of accommodation (included in 5520).

Transport, Storage and Communications.

Transport of freight and passengers by land when not predominantly done as delivery of own goods or transport of own staff or, in the case of school buses, of students (included in 6021, 6022 and 6023).

Coastal and inland water transport of passengers or freight in boats of maximum 10 meters length (included in 6110 and 6120).

Activities of travel agencies except in conjunction with bank or airline services (included in 6304).

Activities of tour operators with regard to bird watching, butterfly collection, wildlife watching, game fishing and dive boat operations (included in 6304).

Customs clearance and forwarding services except when integrated with international freight forwarding activities (included in 6309).

Real Estate Activities.

Buying, selling, renting, managing and appraising real estate on a fee or contract basis (7020).

Renting of Machinery and Equipment without Operator and of Personal and Household Goods.

Renting without operator of all kinds of land transport equipment, e.g. railroad vehicles, cars, trucks, trailers and semitrailers, motorcycles, caravans and campers (included in 7111).

Renting of vending and amusement machines (included in 7130).

Renting of television receivers, video recorders, video tapes and records (included in 7130).

Investment Promotion

Other Business Activities.

Sign writing (included in 7430).

Labour recruitment and provision of personnel except for recruitment and provision of foreign personnel (included in 7491).

Provision to others of static guards and watchmen for apartment buildings, houses, offices, factories, construction sites, hotels and other premises (included in 7492).

Cleaning on a fee or contract basis of buildings of all types, including offices, shops, institutions and other business and professional premises and residential buildings, but excluding factories and industrial cleaning of fire-places, furnaces, incinerators, boilers, ventilation ducts and exhaust units, etc., (included in 7493).

Services on a fee or contract basis related to work permit and Papua New Guinea visa applications (included in 7499).

Health and Social Work.

Child day-care activities (day nurseries) (included in 8532).

Recreational Cultural and Sporting Activities.

Motion picture distribution and projection (included in 9211).

Other Service Activities.

Hairdressing and other beauty treatment (9302).

4. CERTIFICATE PERMITTING ENTERPRISE TO CARRY ON BUSINESS IN RESERVED ACTIVITY.

A certificate permitting an enterprise to carry on business in a reserved activity under Section 27(5) and (6) of the Act shall be in Form 2.

5. APPLICATION FOR CERTIFICATION.

An application for certification under Section 28(1) of the Act shall be in Form 3 and shall contain the particulars provided for by Form 3.

6. FEE ON APPLICATION FOR CERTIFICATION.

The fee for the purposes of Section 28(2)(d) of the Act is K1000.00.

7. CERTIFICATE PERMITTING FOREIGN ENTERPRISE TO CARRY ON BUSINESS IN AN ACTIVITY.

A certificate permitting a foreign enterprise to carry on business in an activity under Section 29 of the Act shall be in Form 4.

8. REGISTER OF CERTIFICATES.

The fee payable under Section 30(3) of the Act is K10.00.

9. STOCK EXCHANGE.

For the purposes of Section 32 of the Act, the prescribed stock exchanges are those being members of Federation International des Bourses de Valeurs (FIBV).

ANNEX X

IPA STAFF LIST, JUNE 1992

Nigel R. Agonia, Managing Director

Gene Agi, Secretary to Managing Director

Ian Fraser, Deputy Managing Director, (Joining in June)

Leslie Dove, Assistant Director, Certification and Research (Joining in June)

Shaakar Chakravorty, Assistant Director, Promotion and Investor Services

Momoru Oda, Assistant Director, Management Services

Edmond Babington, Assistant Director, Business Registrations

Kyi Kyi Myint, Management Information Services Specialist (MIS) - (Joining in June)

Emily Taule

Veni Diro

Stephen Mark

Kari Lohia

Nancy Gerega

Julianne V. Leka

Jerome Benjamin

Emmanuel Mansi

Roger Ganis

ANNEX XI

GROOMING OF A SENIOR ADVISOR

It is recommended that at a fairly early date the new IPA establish the position and recruit a senior level PNG national eventually to join the upper management levels of the Authority. In the likely event that the national selected will not have had wide experiences both in the private sector and in investment promotion, this should be looked upon as a longer-term leadership-development position. In this context the person chosen for the position should have the benefit of substantial training experiences as needed, over the first year or so. He should be given the opportunity to take advantage of appropriate local courses available at the University, Administrative College, and elsewhere in country to sharpen skills and knowledge in areas such as government operations, the PNG economy, business finances, and operations and management.

Equally important, this Adviser should have an extended internship (3-6 months, at least) in an investment promotion agency abroad comparable to the IPA. This should be an opportunity to have broad hands-on experience with the various facets of a successful and active promotion agency, probably in a nearby Asian-Pacific nation such as Thailand, Malaysia or Singapore. This should provide insights and skills in a variety of investment promotion activities including overseas missions and facilitation services to investors.

The consultant has been informed that some foreign governments have (or might) offer such an internship, and perhaps would also assume at least some of the in-country costs such as housing or per diem costs. Costs vary widely according to country but it is estimated that the cost of residence in a nearby country could be in the range of \$3,000 to \$5,000 per month in addition to airfare, assuming staying in a hotel.

Position Description

POSITION TITLE: Management Advisor

ORGANISATION: The Investment Promotion Authority (IPA) of Papua New Guinea

POST: PORT MORESBY

SUPERVISOR: NIGEL AGONIA, Managing Director of IPA

DURATION OF ASSIGNMENT: 3 years

STARTING DATE OF ASSIGNMENT: January 1, 1993 or before

BACKGROUND

This is a senior advisor position, to work closely with the Managing Director and with other higher level staff of the newly created Investment Promotion Authority. PNG is starting afresh and now seeking actively to promote and facilitate increased foreign investment. The Authority has almost entirely new staff and requires experienced outsiders to assist in building IPA into a well-organised and capable agency over the next several years.

DESCRIPTION OF DUTIES

1. To advise and assist the Managing Director as required
2. To become knowledgeable about the PNG economy, the business community and advise on the investment potential in various sectors.
3. To work closely with all supervisory staff and the Board of IPA to develop:
 - a) Management systems
 - b) A Public Relations Campaign
 - c) To assist in development of a Medium Term Corporate Plan for the Authority
4. To advise on and participate in the hiring and training of the new professional staff.
5. To assist in planning outside technical assistance requirements and to work closely with the foreign advisors and experts.
6. To consult with counterpart investment authorities in nearby Asian and Pacific nations, in order to gain insights and guidance for developing IPA.

QUALIFICATIONS

1. Knowledge of and experience with international business.
2. A number of years of supervisory experience in Third World business development, or preferably a senior position in a similar investment promotion agency in a developing country.

3. **Organisation and management skills.**
4. **Ability to motivate, lead and train.**
5. **English language fluency.**

Position Description

POSITION TITLE: Promotion/Communications Expert
ORGANISATION: The Investment Promotion Authority of Papua New Guinea
POST: PORT MORESBY
SUPERVISOR: Deputy Managing Director of IPA and
the Assistant Director, Promotion and Investor Services
DURATION: 18 months
STARTING DATE: January 1, 1993

BACKGROUND

Papua New Guinea has just enacted and created a new Investment Promotion Authority and for the first time is actively seeking and facilitating increased investment from abroad. Much assistance and advice will be required for it to evolve in the most effective way to develop good business opportunities and partners in PNG, and to "sell" PNG to overseas investors.

- DUTIES:
1. To work closely with the Assistant Director, Promotion and Investor Services to formulate and carry out a Public Relations Campaign, 2nd phase, for 1993 and beyond.
 2. To become acquainted with the PNG economy and business community so as to be able to accurately reflect the situation in the country.
 3. To review existing IPA publications and recommend on new or revised publications to meet growing needs of the organisation.
 4. To advise on planning and assist in preparation of promotional efforts such as:
 - Investment Missions Abroad
 - Missions visiting PNG
 - Seminars
 5. To advise and train staff in promotional methods, publication design, and preparation for dealing with visiting clients and foreign business organisations.

QUALIFICATIONS:

1. A number of years of appropriate experience in business promotion, international business and in planning a variety of public relations activities.
2. Best qualification would be successful experience with a similar investment promotion agency.
3. Excellent writing, editing capabilities and supervisory experiences in publications, advertising or similar.
4. Full written and oral English language fluency.

Position Description

POSITION TITLE: Training Expert
ORGANISATION: IPA
POST: PORT MORESBY
SUPERVISOR: Deputy Managing Director
DURATION: 12 months
STARTING DATE: 1 January 1993

BACKGROUND:

Papua New Guinea has just enacted and brought into effect a new IPA. The organisation starts with largely a new slate. Most staff at the professional and supervisory levels will be new to the Authority and it will need to give much attention to new staff training and organisation as soon as possible.

DUTIES:

1. Initially to look closely at all sections of IPA in order to ascertain priority training needs of staff at all levels.
2. To advise the best approach to operational, management and office skills training.
3. To plan a variety of In-House and In-Country activities using outside resources in Port Moresby where available and appropriate.
4. To plan and program overseas training opportunities with short-term assignments and longer-term courses in international business and economic topics. To seek internships in counterpart agencies in other countries.
5. To assist and advise all supervisors in the orientation of their new staff.
6. To help engender in the IPA a corporate culture of high motivation and continued attention to achievement with increasing skill levels.

QUALIFICATIONS:

1. Substantial experience in designing and carrying out In-House training programmes in a variety of management and operations fields in an international business setting.
2. Training experience with a similar investment promotion agency is highly desirable.
3. Familiarity with international training opportunities in fields related to business and investment.
4. English language fluency.