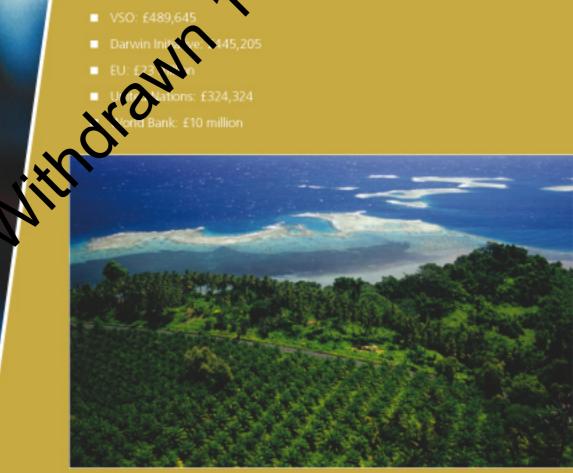
Development Assistance and Funds

Oversea's development funding is a significant contributor to the PNG economy, (8% of GDP in 2010).21

AusAID (Australian Aid)

70% of PNG's total development assistance. Australian aid to l be approximately US\$495 million.²² 85% of aid is delivered thr

6: £34 million approx.24 **UK Development Assist**



The Asian Development Bank (ADB)

The World Bank invest in infrastructure, energy withrough their investment arm, the International Finance Copy Lition (IFC).

Projects include;

Loans to mobile telecommunications provider, Digicel: \$120 million. 2008-2009

Equity Investment in Manufacturis

Nasfund and Nambawan Super



Challenges

Corruption

Corruption is a problem in PNG which the government and police struggle to address. This poses a serious challenge to businesses as they conduct their affairs in PNG. Welcome investigations started by the O'Neill government to combat and stamp out corruption have started and is a current government priority. Through the Business Against Corruption Alliance (BACA), businesses are leading the charge. Long standing UK companies in PNG have an established reputation for integrity which is noticed and respective by the business community. The introduction of the UK Bribery Act, which opening UK business overseas to the possibility of prosecution in the UK means that British companies are gaining an even better reputation.

It is essential to be alert to the possibility of corruption in PNG and the potential for delays in an effort to extort money. Factoring this into operation planning and seeking advice from established UK companies are effective ways to mitigate the pitfalls of doing business in PNG.

Infrastructure

Infrastructure in PNG is extremely underleveloped, while local weather conditions and topography are major contributing factors; overall infrastructure has not progressed much since independence. Large topography a growth is also putting additional pressure on urban areas. Often investors require the capacity to build their own, which puts limitations on small business. There is a considerable need for large scale infrastructure projects which presents companies invoked in the industry with a unique opportunity. In the meantime, major projects such as ENG LNG and development projects are building infrastructure which will also blind benefits to the wider economy.

Security

Law and order is a significant issue in PNG, therefore effective management of the security has assential for anyone seeking to do business. A lack of reliable statistics on crime makes it difficult to assess the extent of the issue; however the majority of crime is random and opportunistic. Taking precautionary measures is often effective, but the sporadic nature of crime in PNG means the risk remains high.

In the more remote parts of the country the threat of disruption to major projects is ever present. Taking the time to really understand the local operating culture and environment can pay dividends. With good advice and the right security provider it is possible to ensure that business interests are protected. For many businesses in PNG, security is just an operational fact of life. Almost all companies utilise private security firms for their business premises and accommodation, in most cases security is provided with leased real estate. Those that have been here for some time advocate fostering stronger links with local communities to mitigate the security risk.

As well as being an important operational consideration, security is a booming industry in PNG, providing employment for more than 40,000 people. There are upwards of a hundred security companies operating in Port Moresby alone. The largest provider is G4S, but The Corps, Paladin and Control Risks also have a presence.

>> This country is rich in resources but short on infrastructure development <<

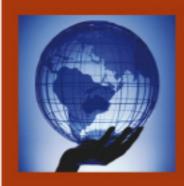
Vishnu Mohan, CEO ANZ PNG

Opportunities for UK Business

Foreign investment in PNG is running at record levels and with the build out of the PNG LNG project this is expected to continue. The outlook for investment is remarkably favourable. Whilst a deteriorating world economy adds a measure of caution this is a global situation and the guestion should be is PNG likely to outperform global economic averages. Whilst PNG's future earnings rely on commodities prices, demand is expected to remain solid. PNG also is undergoing substantial and basic change within the country with the expansion of the formal economy and rising middle class. As such businesses which are engaged in service provision to a developing economy could expect that PNG is a worthwhile place to look. Apart from those opportunities detailed in the Sector chapters of this report there are also opportunities in the management of large funds and in retail investment products and the like. Manufacturing is also expected to have increasing demand and the rise in the consumer economy means more demand for consumer products. High technology companies working with infrastructure also have opportunities. Education is ex pected to be a major government focus and an area where the UK excels.

■ On the ease of doing business ranking by the International Finance Corporation (IFC), PNG is 104 out of 183 economies, a step up 4 positions from 2012.²⁹

Case study



DIGICEL - The Revolution in Computations

* Digicel are an European owned , ternational telecommunications com vary and have a presence in the Pacific, in Samor, Toho, PaG, Vanuatu and Fiji.

Communications in PNG ive taken a massive leap forward following the arrival of private mobile: 07. Prior to its launch, PNG ied felikom was taking advantage. . Its service was considered to be highest cost and lowest quality in the world. Fixed line phone services were extremely rse with just slightly more than 1% penetration. NG's geography had made it unfeasible to supply service outside urban areas. Since the launch of Digicel, mobile coverage in PNG has increased from 3% to 31%.31 This represents the first time such a large percentage of the population have had access to telecommunications. For a country where communications have previously been restricted to a minority, improvements in communications are expected to have far reaching benefits.



Photo courtesy Kila Kome, British High Commission, Part Moresby