Presentation by Economy Under Review - Papua New Guinea

Purpose: Consideration
Submitted by: APEC Secretariat
Papua New Guinea (PNG)

2009 IAP PEER REVIEW
SOM2
15th July, 2009
Singapore

CONTENT OF PRESENTATION
1. Basic economy data
2. Key economic indicators
3. Trade Performance
4. Investment
5. Improvements made since 2005 IAP Peer Review
6. Development Strategies (MTDS and NSP)
7. Challenges
8. Conclusion
1. PNG Basic Data (2007)

- Population - total (millions) - 6.32
- Population growth rate (annual %) - 1.95
- Urban Population (% of total) - 12.6
- Rural Population (% of total) - 87.4
- Percentage of population aged:
  - 0 – 14 - 40
  - 15-64 - 57.6
  - 65 and above - 2.4
- Life expectancy at birth total (years) - 57.4
- Literacy Rate, adult (total % of population) - 57.8
- Primary School enrolment (% gross) - 55.2
- GDP per capital (current US$) - $989

Source: World Bank Development Indicators

2. Key Economic Indicators

- Real GDP 4-5% 2009 (Est)
- Inflation was 11.2% (Y.O.Y) 2008. By March 2009 was 10.2%.
- External debt was reduced by 27% in 2008
- Foreign reserves was US$2 billion to March 2009
  - 10.7 months of total Import cover
  - 14.7 months of non-mineral import cover
2(a) GDP Contribution by Sector

- Mineral, Oil and Gas: 30%
- Agriculture: 32.5%
- Services and Utilities: 30%
- Manufacturing: 6%
- Others: 1.5%

3. Trade Performance

Major Trading Partners

Table 3a: Main Import Sources 2003-8

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
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Table 3b: Main Export Destinations 2003-8

<table>
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Source: Bank of PNG
### 3(a) Exports by regions (2003-2007)

<table>
<thead>
<tr>
<th>Direction of Export</th>
<th>Unit (K.million)</th>
<th>2003</th>
<th>2004</th>
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Average Exchange Rate (over the period covered): K1 = USD 0.3158

Sources: Statistical Digest 2008, Bank of PNG and IRC

### 3(b) Imports by Regions (2003-2007)

<table>
<thead>
<tr>
<th>Source of Importers</th>
<th>Unit (K.million)</th>
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<td>13.3</td>
<td>16.6</td>
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<td>na</td>
</tr>
</tbody>
</table>

Average Exchange Rate (over the period covered): K1 = USD 0.3158

Sources: Statistical Digest 2008, Bank of PNG and IRC
4. Investment

- PNG has open investment regimes, guided by policy, legislation, regulation and institutional framework.
- IPA – agency responsible for promoting and facilitating FDI and domestic investment.
- IPA has embarked on addressing the administrative delays by relevant agencies in improving issuance of foreign certificates to foreign investors.

Investment cont...

- All sectors are open to foreign participation, except Cottage Business activities.
- Government encourages joint venture between locals and foreigners.
- To attract investment, government provides fiscal incentives such as tax concessions.
5. Improvements made since last IAP Review in 2005

- Telecommunication – deregulation and competition introduced to the sector
- Customs – introduced various changes, including ASYCUDA++ (Automated Systems for Customs Data)
- Standards and Conformance – 900 PNG standards introduced

Continue...

- IPR – Improvements to the IPR legislative framework; regional office for trade marks; installed IP Automated System (IPAS) in 2006; website;
- Business Mobility – Employment of Non-citizen Act 2007 came into force in 2009; APEC Business Travel Card (ABTC) – 13 issued; 8 pending approval; and 20 new applications; APEC lane at Port Moresby International Airport.
Continue...

- Further liberalization of Exchange Controls
- Government Procurements: CSTB developing standardized bidding document
- Improvements in e-Commerce: banking and finance; online business documentation and transactions; increase in number of government websites to date.

6. Development Strategies (MTDS and NSP)

- MTDS (2005-2010) - 10 Guiding Principles:
  1. Private Sector-led economic growth
  2. Resource mobilization and alignment
  3. Improvements in the quality of life;
  4. Natural endowments;
  5. Competitive Advantage and global market;
  6. Integrating the three tiers of government;
  7. Partnership through strategic alliances;
  8. Least developed areas intervention;
  9. Empowering Papua New Guineans and improving skills;
  10. Sweat equity and PNG character
7. Challenges

- Deregulation/Regulatory reforms (enforcements)
- Widespread perception of lack of transparency and good governance;
- Capacity constraints
- Infrastructure (physical, institutional)
- Timely Tariff Reduction Program
- Mitigating the impacts of the Global financial crisis
- Further reduction in high cost of doing business

National Strategic Plan (2010-2050) – 6 Pillars

1. Strategic Planning;
2. Institutions, Systems Strengthening and Alignment;
3. Human Development and People Empowerment;
4. Wealth Creation;
5. Security and International Relations; and
6. Climate change and environmental sustainability
Global Financial Crisis

**Impacts:**
- Fall in commodity export revenue
- A decline in the growth of GDP
- A reduction in tax revenue
- Fall in borrower’s capacity to service debts
- Reduction of FDIs in the resource sector
- Decline in PNG’s international competitiveness for exports

**Measures:**
- Phase 1 - Supplementary budget late 2008
- Phase 2 - Partnership Development Program with the Australian Government and other development partners (2010-2015)
8. CONCLUSION

- PNG experienced sustained economic growth between 2002 and 2008. This has pulled back in sympathy with the impact of the global downturn.
- PNG is not insulated to the global financial crisis, and will still be subjected to its effects.
- PNG has made significant strides in the IAP Chapters since 2005. However, each of these sectors continue to experience challenges in terms of policy, legislations, regulations and implementations as a result of capacity constraints.
- PNG remains committed to achieving the Bogor Goals!