

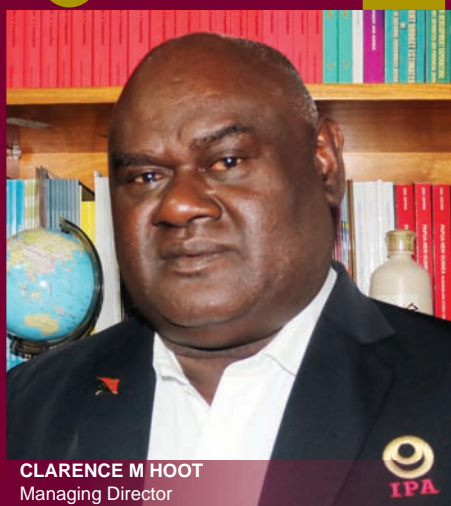


Opportunity

Issue 3 - March 2019

Business News, reviews and overviews from the IPA

MD's INBOX



CLARENCE M HOOT
Managing Director

Dear Readers and welcome to our third (3rd) issue of the *Opportunity* newsletter.

We are into the second quarter of this year and so far, we have seen a very hectic but smooth flow of operations in all business units of the Authority.

Partnerships with other relevant stakeholders have been progressing well especially in the move to address government's concerns on protecting local SMEs from a perceived "unfair foreign competition".

This month has been another very busy

month for the Authority. Firstly, the Authority through a committee is currently conducting consultations on the review of the Investment Promotion Act 1992.

I am calling out to stakeholders and the general public to give feedback on the proposed changes by way of engaging with the Authority through the planned consultation exercise.

Find time to also download the Consultation Memoire from our website homepage and give your feedback.

Work is also continuing on the review of the National Investment Policy. This exercise will eventually lead to a full review of the Investment Promotion Act of 1992.

IPA is also preparing to host World Intellectual Property Day on the 26th of April as well the Regulators Summit tentatively scheduled for mid this year.

Have a read about these important events herewith.

On that note, enjoy this issue and we look forward to receiving your feedback as always.

Thank you and happy reading!!!!

Clarence M. Hoot
Managing Director

IN THE NEWS

PERSONAL PROPERTY SECURITY REGISTRY (PPSR) TO BOOST FINANCIAL LENDING

The Personal Property Security Registry (PPSR) was established through the Personal Property Securities Act 2011 (PPSA) on May 9 2016. Although the Act is administered by the Department of Treasury, the registry is hosted by the IPA. The Registrar of Companies is also the Registrar of the Personal Property Security Registry.

The purpose of the PPSA is to promote commerce. It does so by providing a legal framework that makes it easier to pledge movable property for loans. In other words, PPSA provides a new avenue where securing loans with collateral is easier, less expensive and more reliable in terms of enforcement.

This creates an opportunity for more people, especially SMEs and ordinary people who do not have land holdings to participate in doing business.

Among others, the underlying benefits associated to the establishment of the PPSR are that it:

- Provides easier accessibilities to finance for business purposes
- Provides opportunity for wider participation by ordinary/common people
- Stimulates speedy commencement of new formal business by common people with no land and/or buildings
- Promotes transparency by way of on-line registry environment that allows free accessibility to related information
- Provides stable and accessible online registry environment on a 24/7 basis for property registration purpose.
- Provides a single central registry as opposed to past numerous registries.

Some Key Elements of PPSR

PPSR completely replaced registration of what used to be known as company charges, chattel mortgages, hire purchase agreements and other securities affecting tangible and intangible personal property.

Collateral may be personal property of any nature. Goods are a common example of collateral.

Goods may be consumer goods, such as appliances and furniture. Goods may be the

Continue on to next page.....



Tips & Traps

The importance of registering your Business Name

Some important pointers on why a Business Name must be registered before conducting an activity under a name.

- Under the Business Name Act it is an offence for any person to conduct business activity using a name other than their own
- If a business, other than a person's own name is used to conduct a business activity, the same must be registered with the Registrar as failure would amount to an offence.
- It is important for the owner to have the name registered because a name goes along with good will and it has a property in itself.

- When one registers a Business Name that name belongs to him/her therefore no one else can use that name.
- A business name must be renewed every year.

- Registration of Business Name is K150 online and K200 if you register at the counter.



equipment of an enterprise, such as machinery and vehicles.

It may be the inventory (stock in trade) of a shopkeeper, or the raw materials of a manufacturing plant, crops or livestock.

Collateral may also be intangible. Common examples of intangible collateral are deposit accounts, and customer accounts (receivables).

Other intangibles include intellectual property and licenses. Collateral may also be stocks and bonds, letters of credit, negotiable instruments, warehouse receipts and bills of lading.

This allows a lender to take a charge (called a "security interest" under the PPSA) in "all inventory and the proceeds of its sale," for example, which allows for revolving credit for goods which are continually coming in and out the door of an ongoing business.

What is not covered by the PPS Act?

Section 11(1)(g) of the PPSA excludes from its scope any security interest in a Land, wages/salary, superannuation funds, household goods, and interests in mining tenements or gas licenses.

There is no limitation under the PPSA on who may use movable property as collateral so long as a person or business has rights in the property and the ability to enter into a contract, that person or entity may pledge the property as collateral.

Thus, the PPSA will assist not only businesses but also individual citizens who are seeking credit by pledging their movable assets.

Under the PPSA, a "security interest" is merely the term used for the charge or mortgage over the movable property that secures the promise to pay back a loan.

The granting of the security interest creates

a property right in the movable property in favour of the lender that can be acted upon in the event of default.

A security interest is granted by a borrower (called the "debtor" under the PPSA) under a "security agreement."

In the typical borrower-lender transaction, the standard loan documents are the security agreement and there is no special contract form set out in the PPSA and the parties are free to draw up their own agreement.

The security agreement needs only be signed by the debtor and describe the collateral to be effective under the PPSA. All other formal terms and conditions are left to the parties to decide upon.

PPSR website: www.ppsrpng.com

Support emails: support@ppsrrpng.com or support@paradigmapps.com

IN THE NEWS

Pacific Islands Trade and Invest (PT&I) partners with IPA to host Path to Market Mission to New Zealand



Above: Participants in the Path to Market Workshop held in Port Moresby on August 21st, 2018.

Forty (40) Pacific companies from thirteen Pacific Island countries have been invited to be part of a trade mission to New Zealand called "Path to Market Mission". The mission is a part of the Pacific Islands Trade and Invest (PTI's) Path to Market Programme which is a seven-step export capability building programme for Pacific Island companies.

This program is an ongoing partnership between PT&I and Economic Development Agencies in the Pacific. The Investment Promotion Authority (IPA) is the partner agency for PTI in PNG for this programme. As part of the programme, PT&I, in partnership with IPA hosts an export capability workshop as lead up to the Path to Market Mission.

This year will be the 4th consecutive year for the IPA and PTI to facilitate this Mission to New Zealand as a follow on from the Export/Business Capability Workshop conducted recently by PTI (NZ) in PNG as an integral part

of assisting companies to enter the export market of New Zealand.

In PNG, the inaugural Path to Market Workshop was held in 2014. Since then the inaugural mission to NZ followed through in 2016 which started with 4 PNG companies participating.

The main objectives of this Trade Mission are:

- 1) To provide businesses with a platform for testing and selling their products to a New Zealand audience;
- 2) For businesses to gain unique insights into the New Zealand market; and
- 3) Secure export deals.

The Inaugural mission to NZ in 2016 coincided with the annual Pasifika Festival where participating SMEs showcased their products.

This was the same for the 2017 and 2018 missions to NZ.

PT & I New Zealand Trade & Investment Commissioner, Michael Greenslade told the Pacific Periscope last year that the PNG participants had their own distinct village at the Pasifika Festival, which in his view was probably the best designed village.

He said this year's mission will be different with an indoor event at the "Cloud" located right in the heart of Auckland city. PT&I has invited not only Path to Market companies but also Pacific stakeholders in the wider Auckland community.

This year saw the participation of several PNG companies including Authentic PNG, Bougainville Pride Arts and Crafts Ltd, Niugini Native, Milne Bay Organics and Egwalu Tours & Events Milne Bay Ltd. Raggiana Raiments participates under the Wild Card Entry and will only participate at the one day event at the Cloud.

The PNG delegation will be accompanied by Ms. Daure Kiromat IPA's Acting Manager-Marketing and Export Promotion Unit.



Above: Participants at the Path to Market Workshop held in Alotau, Milne Bay Province on August 23rd, 2018.

PARADISE FOODS ACKNOWLEDGES PROGRAMS THAT IMPROVE COCOA HANDLING

There continues to be a need in the improvement of cocoa production, processing and value adding in order for new markets to open up for local cocoa farmers.

The issue was highlighted when Chief Executive Officer Paradise Foods Mr. Michael Shields gave his remarks during the launching of Paradise Foods new range of chocolate products.

"PNG cocoa has been marred by incorrect fermentation and smoke taint due to poor management of wood fired dryers which greatly affects quality," Mr. Shields said.

"Paradise Foods notes and recognizes the efforts of programs like the Australian Centre for International Agriculture Research (ACI-AR), Pacific Horticulture Agriculture Market Access (PHAMA), and World Vision, who are working in conjunction with Cocoa Board PNG in a number of projects to improve the quality of our cocoa," he said.

He said improved quality will open up new markets for growers, provided that they can consistently produce the same flavor profile beans and that they a rudimentary understanding of the cocoa market on a global scale.

"Activities such as the Cocoa of Excellence show and Chocolate festival held annually have incentivized growers to improve their post-harvest practices," he said. "To promote the production of quality cocoa beans, *Queen Emma Chocolate* sources and pays a premium price to our approved growers," he added. "Our premium payment has assisted farmers to invest in their businesses and improve their lively-hood."

"We are proud to have on our grower listing to date at just over 2000 small holders, who are either individuals or part of the four (4) cooperatives we work with. In recent years *Queen Emma* has been privileged to participate in the annual Bougainville Chocolate

Festival and Cocoa Warwagira. It has been notable that at these festivals, numerous awards have been received by growers who supply *Queen Emma Chocolate* among those from the Lower Watut Cooperative whose cocoa won an award in the Paris Cocoa Salon Du in 2016".

"These awards highlight the commitment of these growers to produce quality cocoa. We will continue to work with our growers to seek appropriate training and resources required for the continuous production of quality cocoa".

"It was pleasing also to read the comments made by the CEO of the Cocoa Board of PNG in the print media on the confidence restored to the PNG cocoa industry showing an increase of cocoa production to 44,000 tonnes in 2018 and a target of 100,000 tonnes by 2025," he said.



IPA prepares to celebrate World IP Day

The Intellectual Property Office of Papua New Guinea (IPOPNG) is preparing for the annual World Intellectual Property Day which falls on the 26th of April every year.

This year's theme is "Reach for Gold" which will feature the performances of athletes and those in the world of sports. Under the theme, the Office aims to create awareness on how Intellectual Property contributes to

the development of sports. Registrar of the Intellectual Property Office of PNG, Ms Amelia Na'aru in announcing the event has urged the public to join in the celebrations which will focus on Intellectual Property (IP) and Sports.

"The motive behind the celebrations will focus on product ingenuity and creativity that contributes to the drive and perfor-

mances of athletes and all those working behind the scenes in the world of sports," Ms. Na'aru said.

She said the activities that will be hosted during the World IP Day celebrations are aimed at bringing people and cultures together by ensuring that everyone can participate, enjoy and share in recognizing the contribution of Intellectual Property in the creation of competitive sporting actions.



Why is IPA proposing Changes to the Investment Promotion Act and what are those proposed changes?

In the previous issue we spoke about how the changes will affect MSMEs. Today, we'd like to explain what's in these changes for foreign investors. As is the case, the IPA in reviewing the Investment Promotion Act intends to ensure that it does not create an unfair investment environment for foreign investment in the process of trying to protect the citizen owned businesses.

Is PNG still open for foreign investment?

Yes! The PNG Government recognises the important contribution that foreign investment makes in the human and economic development of PNG. The proposed changes are designed to make it easier for responsible foreign investment while addressing some shortcomings in the system that were being exploited by a small number of foreign investors.

The Investment Promotion Authority remains the first point of contact for foreign investors seeking information on investment opportunities, and to facilitate foreign investment certification. Please see www.ipa.gov.pg for more information.

Why is the Government changing the rules? What are the main changes?

The Government is making common sense changes to foreign investment settings in PNG in order to better protect MSMEs from competition in business activities that tend to be smaller-scale, onshore, and where PNG citizens have already demonstrated capability. These changes will not affect the majority of foreign investors in PNG.

The Government is amending the *Investment Promotion Act 1992* to institute most of the system improvements. A small number of changes will be enacted through changes of existing administrative practices, such as entry permits. Key changes are:

1. **Minimum investments for business/investor resident visas** – non-citizen owners of foreign investments will be required to show a minimum investment in PNG in order to obtain their residence visas. This class of visa also applies to overseas-headquartered foreign investments recruiting senior management staff for their PNG based operations.
2. **Reserved activities for PNG citizens** – the IPA will continue to reserve activities for citizens under the Reserved Activities List and regularly review the list
3. **Promotion of local-foreign partnerships** – a new 'Restricted Activities List' will be introduced to encourage PNG citizen participation in larger, more complex, and/or more capital-intensive businesses. Activities will be identified where foreign investment is allowed under certain conditions, which can include minimum local ownership and minimum investment levels.
4. **Grandfathering existing businesses** – in cases where existing foreign investors are engaged in activities which later become reserved or restricted, they will receive limited grandfathering from the changes
5. **Improved compliance and enforcement** – government agencies will upgrade their compliance and enforcement capacity and activities.

When will the new rules come into force?

The Government has not set a date yet for when the new rules will come into force. The commencement date for changes will be advertised in advance to give businesses time to adjust.

How will new foreign investment be treated?

The Government is keen to ensure that responsible foreign investment in line with PNG's development priorities is made quick and simple. The proposed changes creates a new process for foreign certification that will be make the majority of applications quicker, and provide clearer rules about when applications will be accepted or rejected.

Key changes are:

1. **Day-to-day foreign certification approvals will be undertaken by a Registrar of Foreign Investment** – IPA will appoint a Registrar to oversee registration activities
2. **The majority of applications will be granted by the Registrar unless there are disqualifying criteria** – these criteria are:
 - a. the applicant proposes to carry on an activity that is reserved for citizens
 - b. in the opinion of the Registrar, the application is incorrect or misleading or does not otherwise comply with the Act or Regulations
 - c. the applicant fails certain character requirements
 - d. the Registrar has reasonable grounds for believing the application is not genuine.
3. **Appeals provisions improved** – appeals from decisions of the Registrar can be made to the Board and afterwards to the Minister.

Are existing businesses grandfathered under the changes?

Yes, existing businesses operating in activities that may become reserved or restricted in the future are grandfathered and may continue to operate as they can currently.

New basic controls on what activities may be included in the Reserved Activities List and Restricted Activities List will be included in the proposed changes. Further, a transparent review process will be instituted to enable business to be aware of, and participate in, any changes to the lists.

What happens if I want to sell my business if it's grandfathered?

Any change to the ownership, shareholding or beneficial ownership or control of an enterprise carrying on business in **reserved activities** will lead to it losing its grandfathered status and the relevant activity revert to being reserved for citizens. It is proposed that any change to the ownership, shareholding or beneficial ownership or control of an enterprise carrying on business in **restricted activities** will not lead to the loss of its grandfathered status.

Will there be a minimum investment threshold for new investors?

The Government will introduce a minimum investment threshold for new investors and key staff seeking business/investor residence visas. This will be a new requirement by the Immigration and Citizenship Authority and will work in conjunction with changes to the Investment Promotion Act. Resident investors will need to show a minimum investment. The minimum investment will be set after careful consideration of amounts used in other countries to ensure that the threshold is competitive.

Minimum investment thresholds may also be introduced in the Regulations for specified restricted activities.

Will there be changes to work permit requirements?

No, existing work permit requirements are unchanged.

What is the Restricted Activities List? What activities will be included?

The proposed changes introduce activities which are open to foreign investment, under defined conditions. These conditions will be standardised against the relevant activity and included in the Regulation.

How are reserved and restricted activities identified?

Under the proposed changes, the Reserved Activities List and Restricted Activities List must be reviewed by the IPA Board at least every 3 years.

This review process is required to be public, and seek the views of government, the business community, and the public. The IPA Board's recommendations are published publicly and provided to the Minister for decision. If the Minister decides to reject a recommendation, he or she must publicly publish the reasons for the rejection.

The proposed changes places some basic controls on activities that cannot be reserved or restricted. An activity cannot be reserved or restricted:

- unless at least one Papua New Guinean citizen is involved in carrying out the activity, whether by himself or herself is;
 - o a member of a joint venture, or
 - o a partner in a partnership, or
 - o a trustee, or
 - o an agent or employee, and carries out the business in PNG
- if fewer than 10 businesses operators conduct the activity in PNG
- is carried out on as a business, or part of a business, that produces or supplies goods and services which are used regularly by, or are otherwise important to the operation of, other business in PNG.

Are there changes to reporting requirements?

Yes. Under the new rules, holders of foreign investment certificates must file annual status reports containing prescribed information. Failure to file an annual status report can lead to suspension or cancellation of a foreign investment certificate.

What about other restrictions on foreign investment?

The Government is aware that there are other restrictions on foreign investment at sectoral levels. A broader reform process is underway to identify these restrictions and make them more transparent for prospective foreign investors.

Regulators Summit dates postponed

The IPA would like to advice the general public, SMEs and stakeholders and bussiness houses that the Regulators Summit has been postponed indefinitely.

We will confirm a date soon.

Paradise Foods Launches new range of chocolate products

The Paradise Foods is leading the way with downstream processing of cocoa. Chief Executive Officer of Paradise Foods, Mr. Michael Shields said this during the recent launching of a new range of amazing look and tasty chocolate under its Queen Emma brand name.

The new range of chocolate products are produced from an improved processing method and sourced from locally grown premium cocoa in PNG.

"The company's achievement is based on its drive to embark on its expansion into becoming a downstream processor of cocoa beans under the Queen Emma Brand".

"I'm delighted that Paradise Company is leading the way with downstream processing of cocoa," said Mr Shields.

He said it has been a great opportunity to create a value added product of Cocoa, create employment and skill development for Papua New Guineans, and also support rural farmers through their premium cocoa purchases.

Mr Shields said the new range aims to capitalize on the PNG market while also being exportable, with the product "the Kina bar", priced at K1.

It's understood the Queen Emma Chocolate brand name was chosen to pay homage to Emma Coe, a Samoan by Origin who settled in Kokopo, East New Britain Province and acquired land from surrounding village chiefs and established large cocoa and coconut plantations.

With her brother in law Richard Parkinson, Emma Coe planted the first cocoa tree on

her estate in Kokopo in 1884. She became a well known trader and was affectionately known as "Queen Emma of the South Seas". Since then cocoa has become a significant agricultural crop in terms of its economic importance to PNG and contributes over K350 million Kina to GDP annually and also contributes to the livelihood of over 2 million small holders, while millions more benefit along the value chain.



Lower Sepik Integrated Forestry/ Agriculture (Cocoa) Project

A resource company is seeking partnership with an interested investor to develop a 50,000 hectares of fertile land for an integrated agro-forestry project.

The Project Proponent:

Lower Sepik Resource Development Company is located at Marienberg, Angoram, East Sepik Province.

Project Size/Investment Value:

US\$500,000

Project Description:

Lower Sepik Resource Development Company (the project proponent) is made up eight villages along the lower Sepik River in East Sepik Province, Papua New Guinea.

All eight villages have agreed to utilize their 50,000 plus hectares of land for an

integrated forestry and agriculture development project.

The project proponents prefer the establishment of a cocoa plantation accompanied by logging and downstream processing of harvested timbers to supply both the domestic and export markets.

The subject land is fertile and suitable for agriculture and well situated with easy access to the public amenities including electricity, water, access road, etc.

Contacts:

Mr. Sebastian Aipa
sepikresources@gmail.com

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Annual Returns

Question:

Do I need to attach my financial statements to the Annual Returns when filing?

Answer:

No and Yes. Refer below why:

No. If your company is an "exempt company".

Yes. If your company is a "reporting company".

Furthermore, the difference between the two can be explained as given below;

An exempt company – is a company which does not have:

- assets exceeding K5million; or
- more than 25 shareholders; or
- more than 100 employees ; and
- a company that complies with at least one or two of the above (not all three) of the above.

A reporting company – a company other than an exempt company.

Do you have a general question about the regulatory side of running a business or have a query on investment promotion, Intellectual Property rights or wish to know more on Securities? If so, email your question to: [click](mailto:beverlyp@ipa.gov.pg)

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We will publish a selection of questions and our answers in each issue of Opportunity.

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