



**The BUSINESS and INVESTMENT ENVIRONMENT in
PAPUA NEW GUINEA in 2012:
PRIVATE SECTOR PERSPECTIVE**



Institute of National Affairs, Port Moresby

Discussion Paper No. 94 June 2013

First Published: June 2013

Published by:

Institute of National Affairs

P. O. Box 1530

Port Moresby

NCD

Papua New Guinea

Copyright ©2013 Institute of National Affairs

ISBN 9980-77-177-1

National Library Service – Papua New Guinea

Introduction

The Institute of National Affairs (INA) has undertaken a Private Sector Survey every five years, the latest conducted in 2012, to assess the business environment and particularly the prevailing major impediments to business and investment as perceived by private sector participants. The survey was intended also to provide some comparison with the views current in 2007 and hitherto, although a number of additional questions were also asked in the 2012 survey, notably related to security *and provision of public goods by business*, (linked in turn to some other parallel studies being conducted by the World Bank and at ANU, respectively). **The survey was part-funded by the Australian Agency for International Development (AUSAID) and the Asian Development Bank (ADB) through their co-financed Pacific Private Sector Development Initiative.**

The survey comprised seventy (70) questions under the following six general themes:

- Information about the Business
- Government Policies and Regulations
- Business Security
- The Government-Business Relationship
- Effectiveness of Government Service Provision
- Rating Hindrances to Business and Investment

The survey comprises the views of a sample of businesses spread across the whole of Papua New Guinea, notably those that chose to complete the questionnaire, which was widely circulated and promoted by the INA, including through various regional consultations with Chambers of Commerce (in Alotau, Kokopo, Goroka and Lae) and other provincial field visits. Researchers also held meetings and consultations with various other stakeholders to help gauge business sentiment.

The survey covers firms operating in a diverse range of businesses activities, but it does not pretend to be comprehensive, as certain business operators and perhaps types of operators, may have chosen, for their own reasons, not to complete the questionnaire, which required a certain level of attention, effort and, clearly, literacy. (As well as the English language version of the questionnaire, a Mandarin language version was also circulated to some businesses owned or managed by persons for whom Mandarin may have been their first language).

Comparisons of the responses between the different survey years will provide useful insights, but must be treated judiciously, as the respondents differ and the sample size differs substantially, (with a markedly lower number of respondents in 2012 than 2007; perhaps because of the larger size of the questionnaire, and other factors, such as, maybe, the greater

level of business activity in many sectors in 2012, dampening or precluding commitment to completing major questionnaires).

The questions were designed to monitor the views of businesses, (i.e., small, medium and large) on a number of significant issues under the aforementioned broad headings and to gauge the relevance of those issues with respect to their business operations.

The survey was conducted over an extended period between May and December 2012. Businesses completed the questionnaire via four means: (1) through the postal network, (2) the INA's corporate website and email, (3) facsimile transmission, and (4) collection of the survey questionnaires directly from businesses by field assistants. Under the latter arrangement survey questionnaires were provided to smaller business and data was entered with assistance from the respective field assistant, if sought.

No focus group discussions were held with the businesses. Nor did the survey resort to other data collecting methodologies. However, a series of presentations were made at meetings with business houses in selected provincial capitals to explain the purpose of the survey and respond to questions. A total of 136 questionnaires were successfully completed and returned (compared to 243 in 2007 and 166 for the 2002 survey). The survey questionnaire is reproduced in Appendix 1. The general survey methodology was to invite respondents to gauge, on a 6-point scale, the degree to which the issue in question affects their business and investment operations. The issues covered in the survey are those commonly cited as affecting business and investment in PNG, although, as indicated, for the 2012 there were also a series of more detailed questions related to crime prevention and the impact of crime and crime, as part of the World Bank's 'Cost of Crime and Violence Survey'..

Part 1: Business information

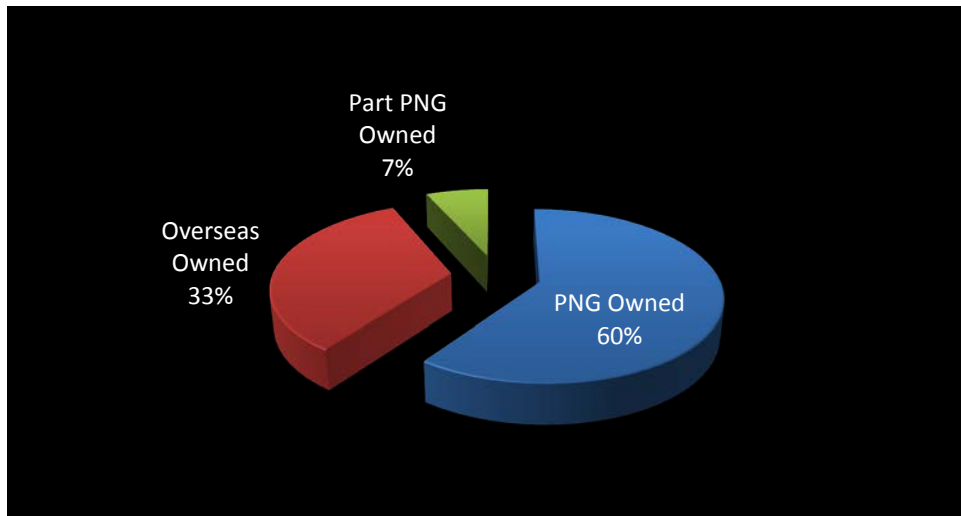
Part 1 of the survey is intended to extract general information on the nature of business in which respondents are engaged, with specific data collected on the following areas;

1. Business ownership
2. Location of the business
3. Business registration status
4. Length of business operations
5. Annual turnover of the business
6. Nature of business industry and
7. The exporting profile of the business

Business Ownership Profile

From the survey, 60% of the respondents are PNG owned businesses, followed by overseas owned with 33% and 7 % were businesses part locally and part overseas owned (Figure 1).

Figure 1: Profile of respondents by Business Ownership



Business Location

Out of the businesses which took part in the survey, 42% of respondents specified that they are based in 'other' centres and towns in the country. Businesses based in Port Moresby make up 31% and 10% of the respondents are based in Lae. The other 17% are based in 'multiple locations', which include businesses operating in Port Moresby and Lae. Profiles of business location are depicted in Figure 2 below.

The ,majority of the businesses surveyed are based in urban settings (78%), 18% indicated that they are based in rural areas and the remaining 4% are based in both rural and urban areas, as shown in Figure 3.

Figure 2: Profile of Respondents by Location of Business

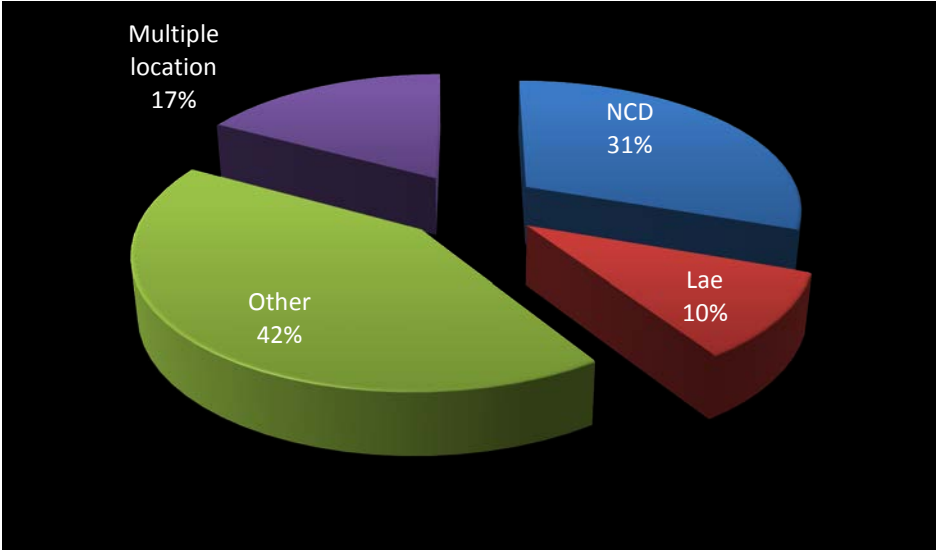
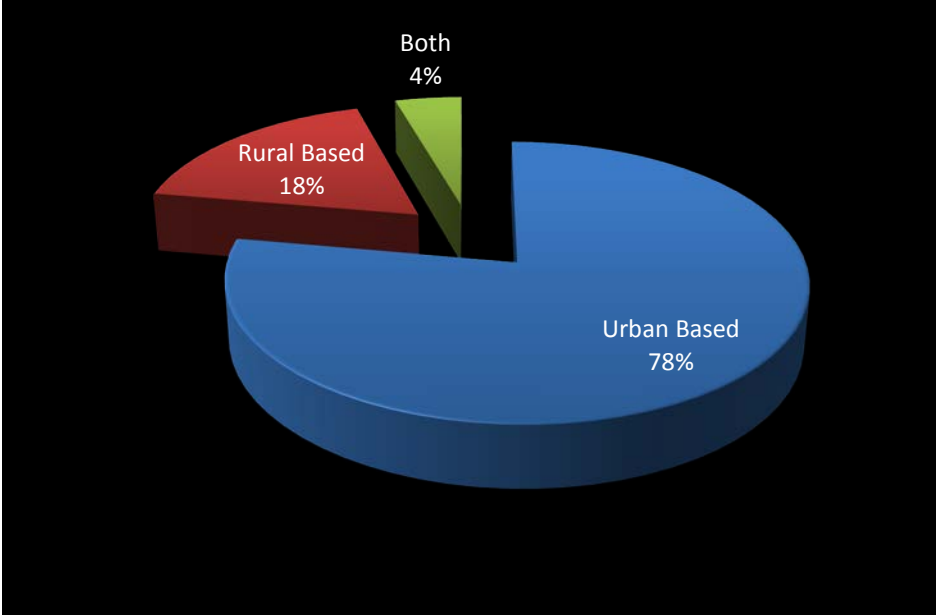


Figure 3: Urban vs. Rural Profile of Respondents in the Survey

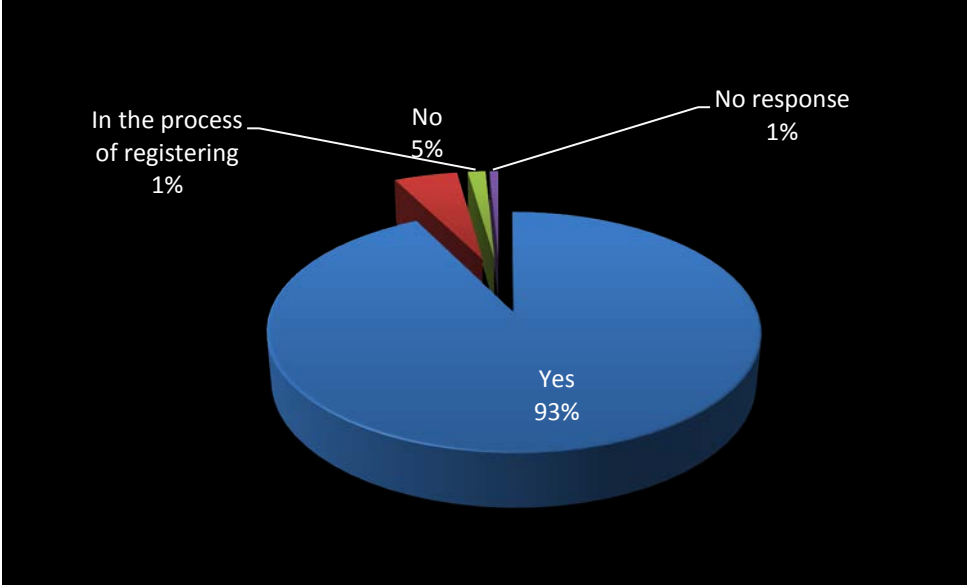


Registration Profile of Business

When businesses were asked to indicate their registration status, 93% of the respondents indicated that they are registered (Figure 4), 5 % indicated that they not registered and 1% of

the businesses are 'in the processes' of registering their business. The other 1% did not indicate their business registration status.

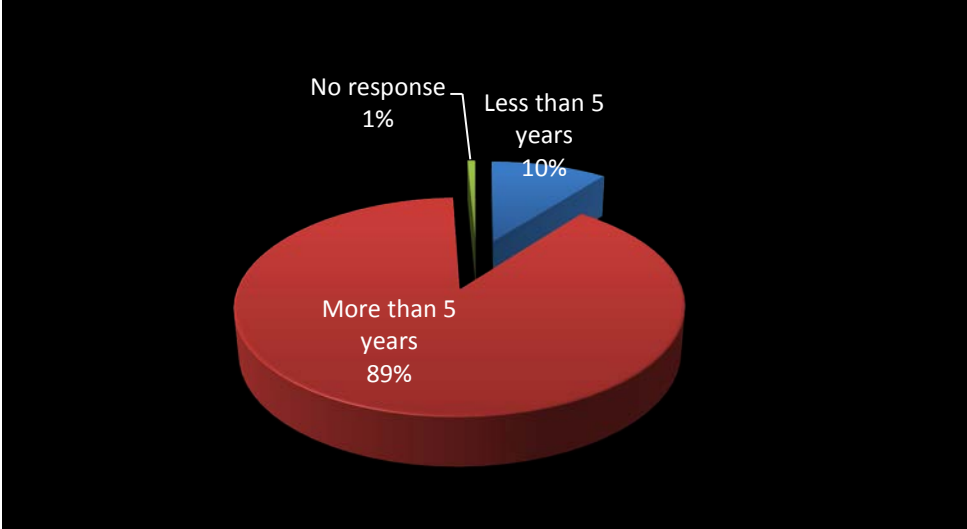
Figure 4: Registration Profile of Business



The length of Business Operations

From the survey, 89% of the respondents indicated that their business have been operating in PNG for more than 5 years (Figure 5), 10% stated that they started operations during the course of the last 5 years and the remaining 1% did not indicate their business length of operations.

Figure 5: Length of Business Operation



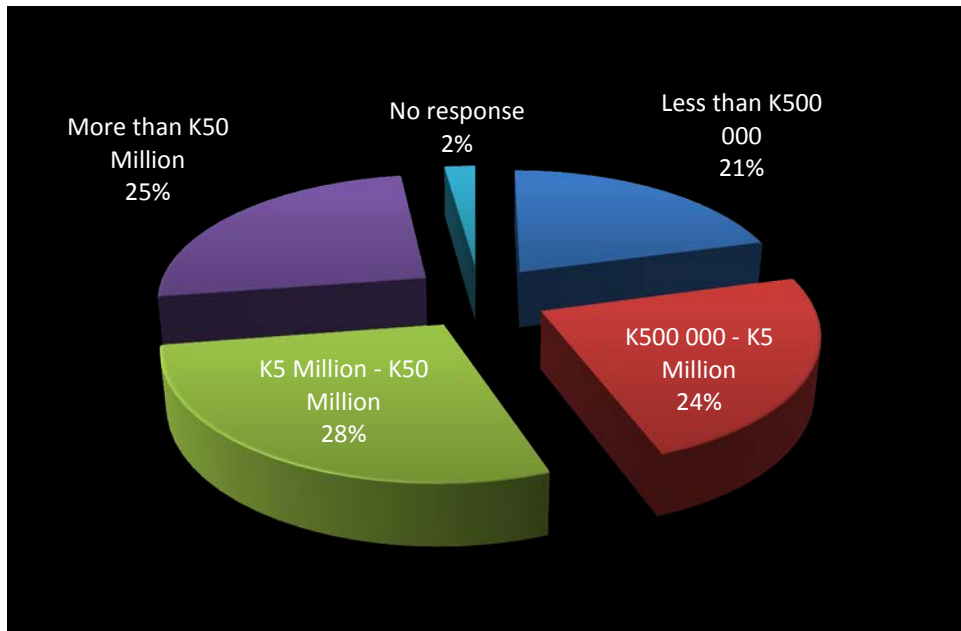
Annual Turnover

There are four categories of annual turnover used in this study;

1. Less than K500,000
2. Between K500,000 and K5 Million
3. Between K5 Million and K50 Million; and
4. More than K50 Million

28% of respondents indicated that their annual turnover is between K5 million and K50 million, followed by 24% of respondents whose annual turnover falls between K500 000 and K5 million category. Businesses whose annual turnover is more than K50 million make up 25% of the respondents, with another 21% with less than K500 000 annual turnover. The remaining 2% did not specify under which category of annual turnover they fall (Figure 6).

Figure 6: Business Annual Turnover



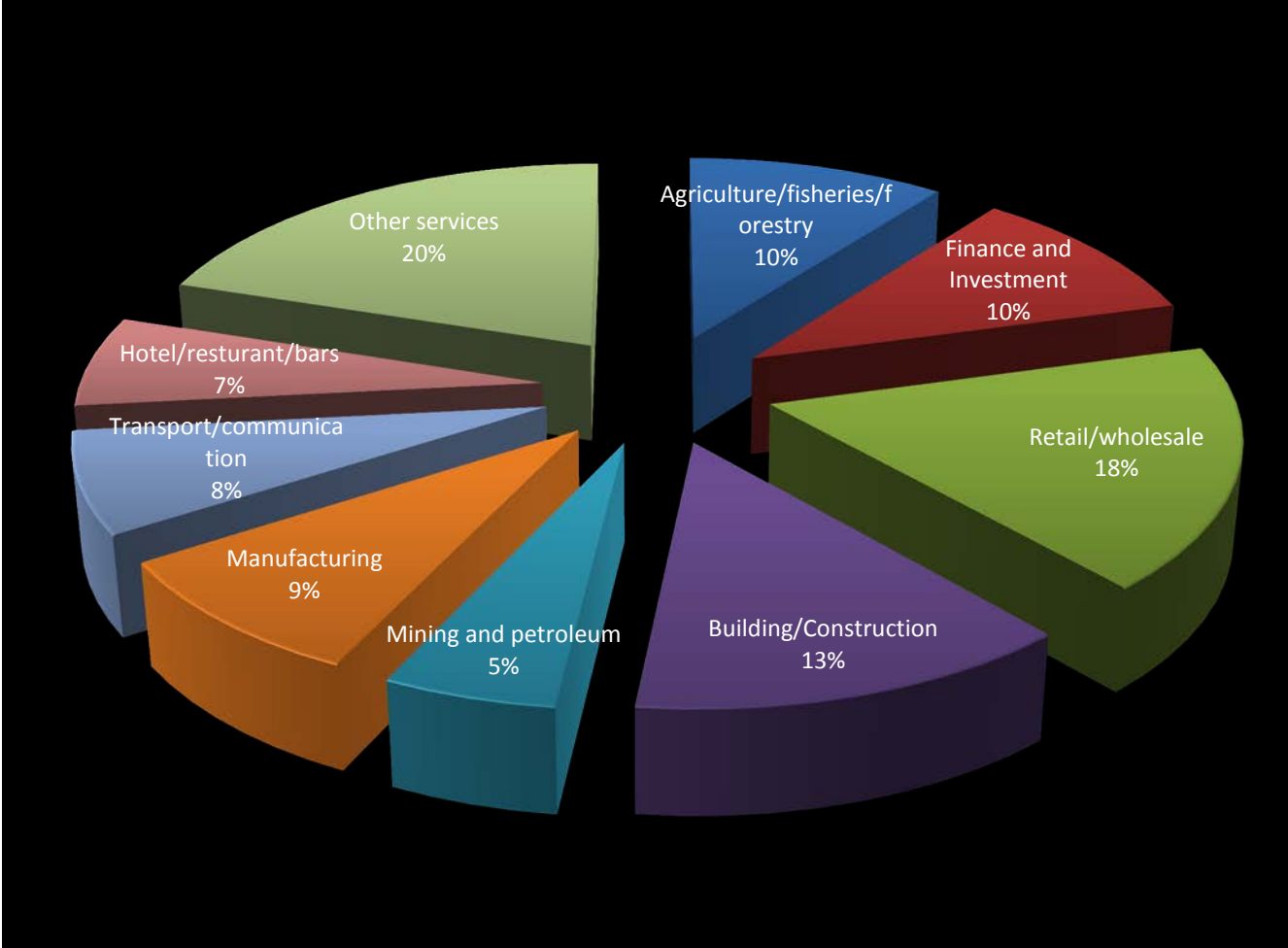
Categories of Industry

The respondents are categorized into 9 industries and/or economic sectors: - (1) agriculture, fisheries and forestry; (2) finance and investment; (3) retail and, wholesale; (4) building and construction; (5) mining and petroleum; (6) manufacturing; (7) transport and communication; (8) hotels, restaurants and bars; and (9) other services.

Businesses in the 'services' sector comprised the largest number of respondents with 20% (Figure 7), followed by retail/wholesale industry with 18%. Around 13% of the respondents are from the building/construction sector. Both the agriculture/fisheries/forestry and finance/investment sector had 10% respondents, followed by the manufacturing sector with

9%. 8% of the respondents are from the transport/communication sector, 7% from the hotels/restaurants/bars sector, with the remaining 5% from the mining/petroleum sector.

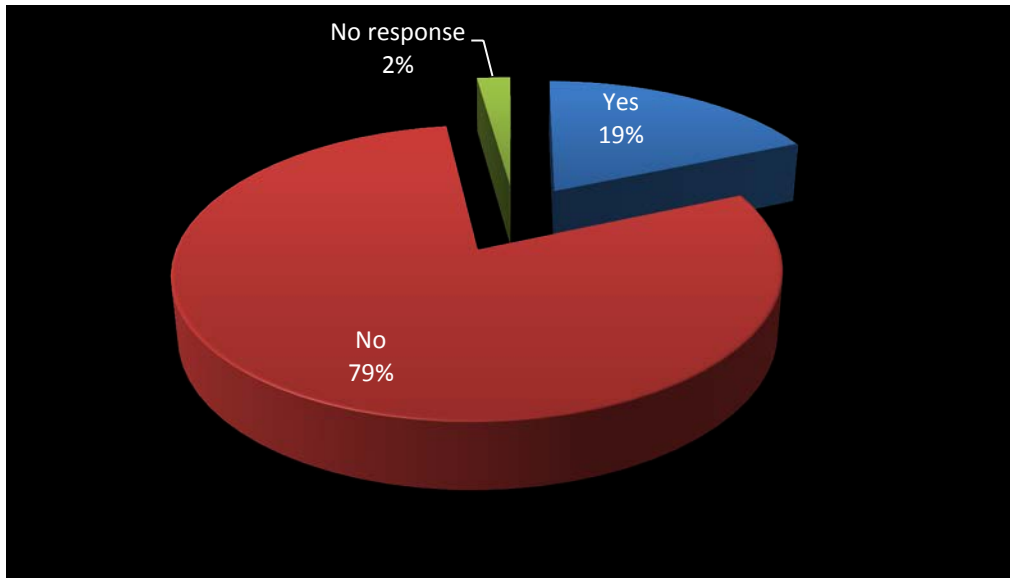
Figure 7: Respondents by Industry



Exporting Profile of Respondents

When asked whether or not the businesses engaged in exporting, around 79% of the respondents indicated that they are not engaged in exporting (Figure 8), 19% stated that they are and the remaining 2% did not indicate whether they were engaged or not.

Figure 8: Exporting profile of Respondents



Part 2: Government Policies and Regulations

The questions in Part 2 of the survey seek to ascertain businesses' perception and approach towards government policies and regulations.

Business Awareness of Government Policies and Mechanisms to Assist their Business

When businesses were asked if they knew of government policies that could assist their business, 64% of them responded that they are unaware of any such government policies (Figure 9). 34% of the respondents showed that they are aware of government policies that can assist their business and the other 2% did not respond to the question.

When asked if they had used any of these policies to assist their business, 62% of the respondents indicated that they have not used any government policies to assist their business (Figure 10). 30% indicated that they have used prevailing government policies to assist in their operations and the remaining 8% did not respond to the question.

Figure 9: Business Aware of Government Policies that Assist them

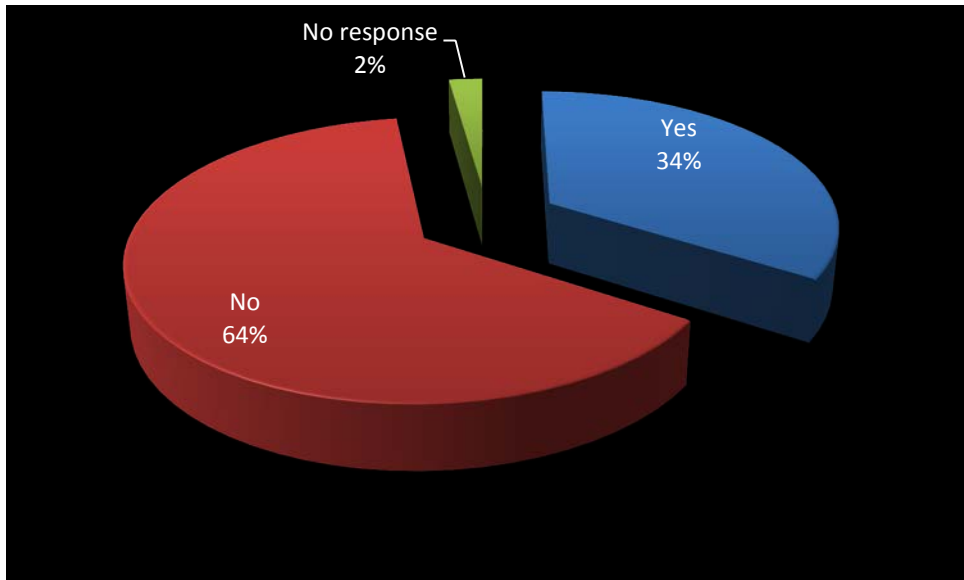
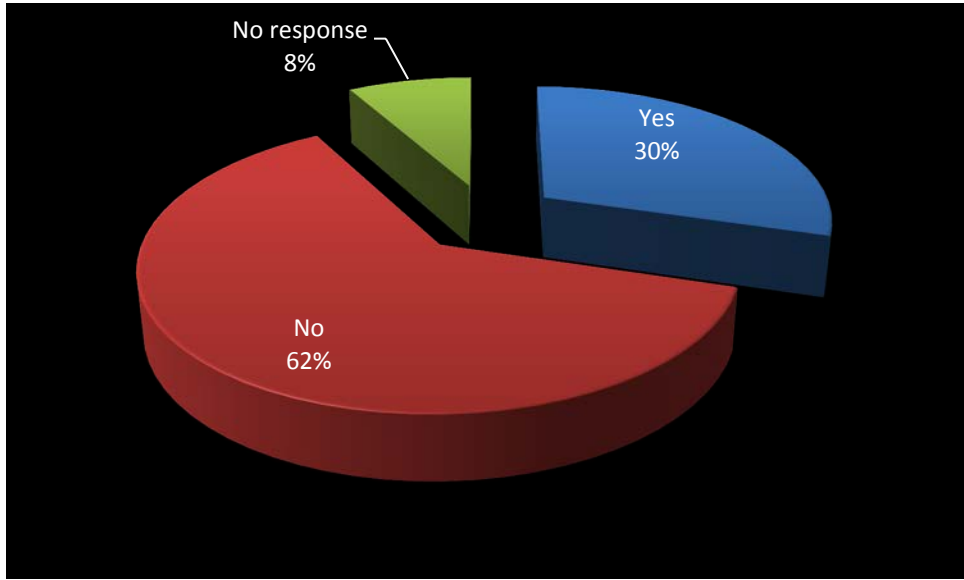


Figure 10: Businesses Using Government Policies to Assist their Business



Business Aware of Government Laws, Rules and Regulations and Use them to Assist their Business

Around 53% of the respondents indicated that they are unaware of government laws, rules and regulations that can assist their business (Figure 11). 43% of respondents are aware of laws, government regulations and rules that assist their business and the remaining 4% did not respond to the question.

When the businesses were asked if they had used the governments’ laws, rules and regulations to assist their firms’ operations, 56% of the respondents said no (Figure 12). 36% of

respondents indicated that they did use laws, government rules and regulations to assist in their firms' operations, whilst the remaining 8% did not respond to the question.

Figure 11: Business Aware of Government Laws, Rules and Regulations that Assist Businesses

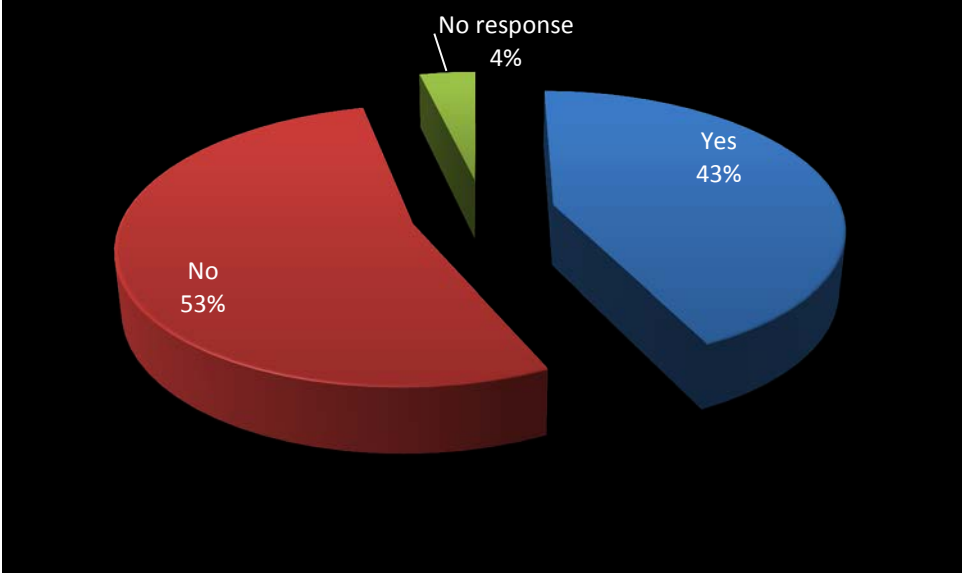
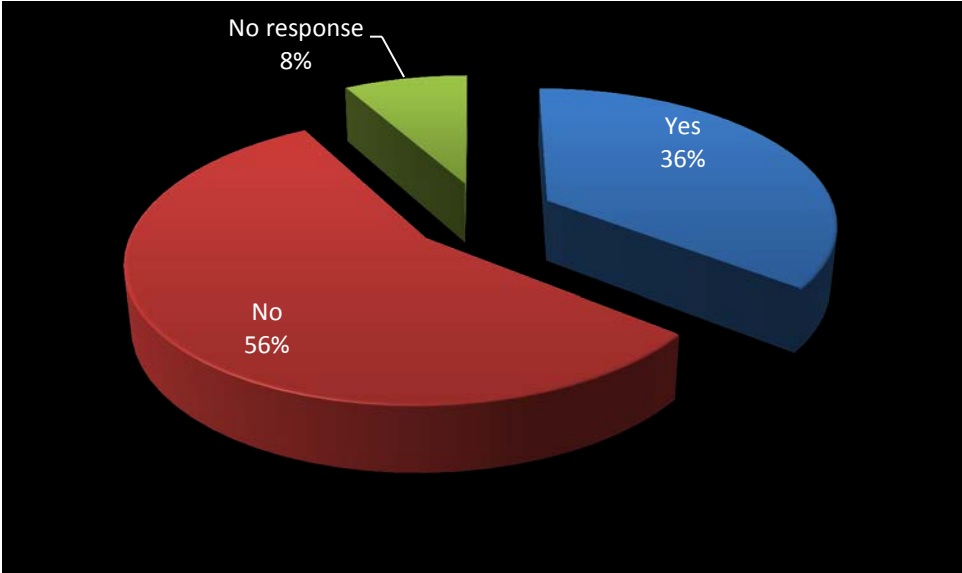


Figure 12: Businesses Using Government Laws, Regulations and Rules to Assist their Operations



Level of Concern for the Stability of Rules, Policies & Regulations

This question was designed to identify the level of concern over the stability of government policies and regulations that affects businesses. Around 85% (Figure 13) of the respondents specified that they are either 'very highly concerned', 'highly concerned' or 'fairly concerned'. Only 1% of the respondents are 'completely unconcerned', 10% are 'fairly unconcerned' and the remaining 4% of the respondents did not indicate their level of concern over the stability of governments rules, regulations and policies. That contrasts with 93% specifying concern to very high concern in the 2007 survey, seemingly indicating a reduction in the level of concern, albeit that it remains predominant and a probably significant influence on decision-making over investment.

Figure 13a: Concern over Stability of Government Policies, Rules & Regulations

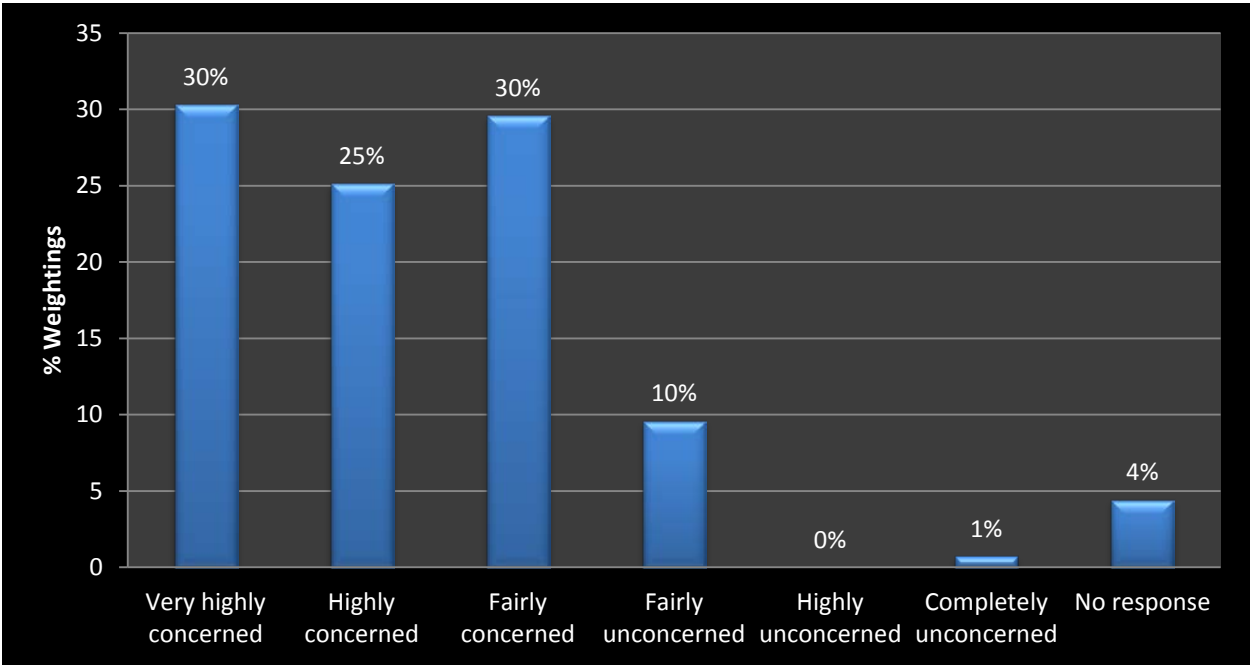
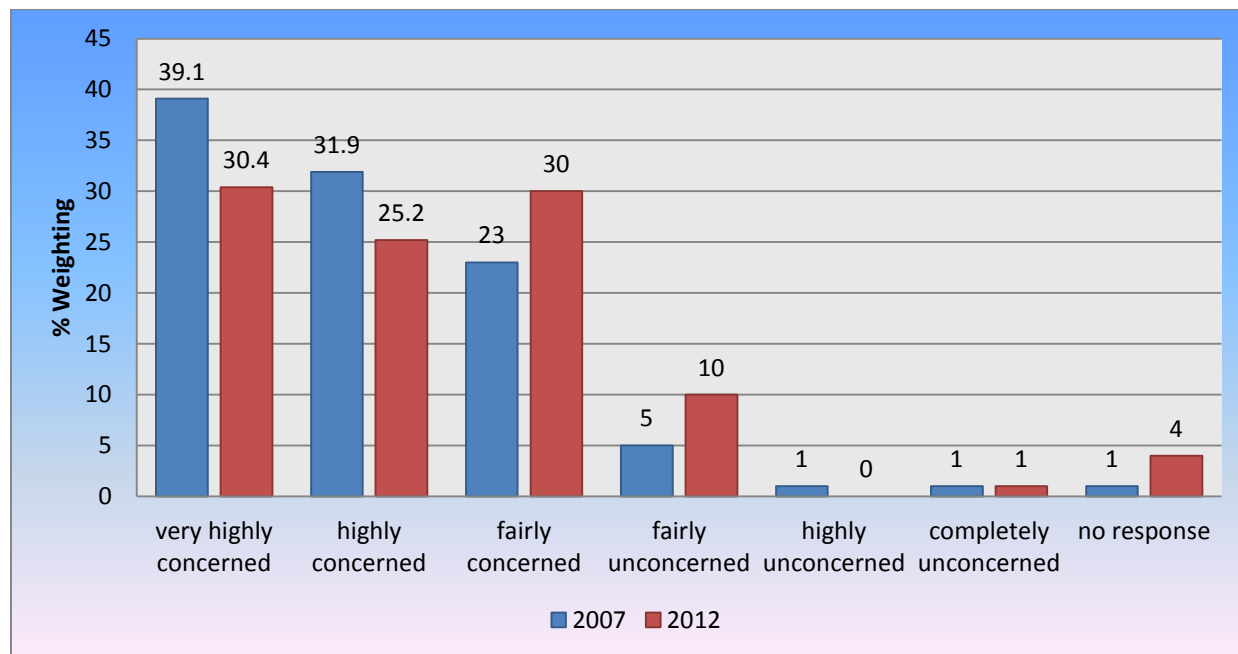


Figure 13b: Concern over Stability of Government Policies, Rules & Regulations



Fear of Retrospective Changes to Rules and Regulations

This question is closely linked to the previous question, in which respondents were requested to advise whether they fear retrospective changes to the government rules and policies. Majority of the respondents, 78%, are either ‘very highly concerned’, ‘highly concerned’ or ‘fairly concerned’ (Figure 14a). Only 2% of the respondents are either ‘highly unconcerned’, ‘completely unconcerned’ or 16% are ‘fairly unconcerned’. The remaining 4% of the respondents did not indicate their level of concern and/or did not respond to the question. By contrast, 85% of respondent expressed concern to very high concern in 2007.

Figure 14a: Fear of Retrospective Changes to Rules and Regulations

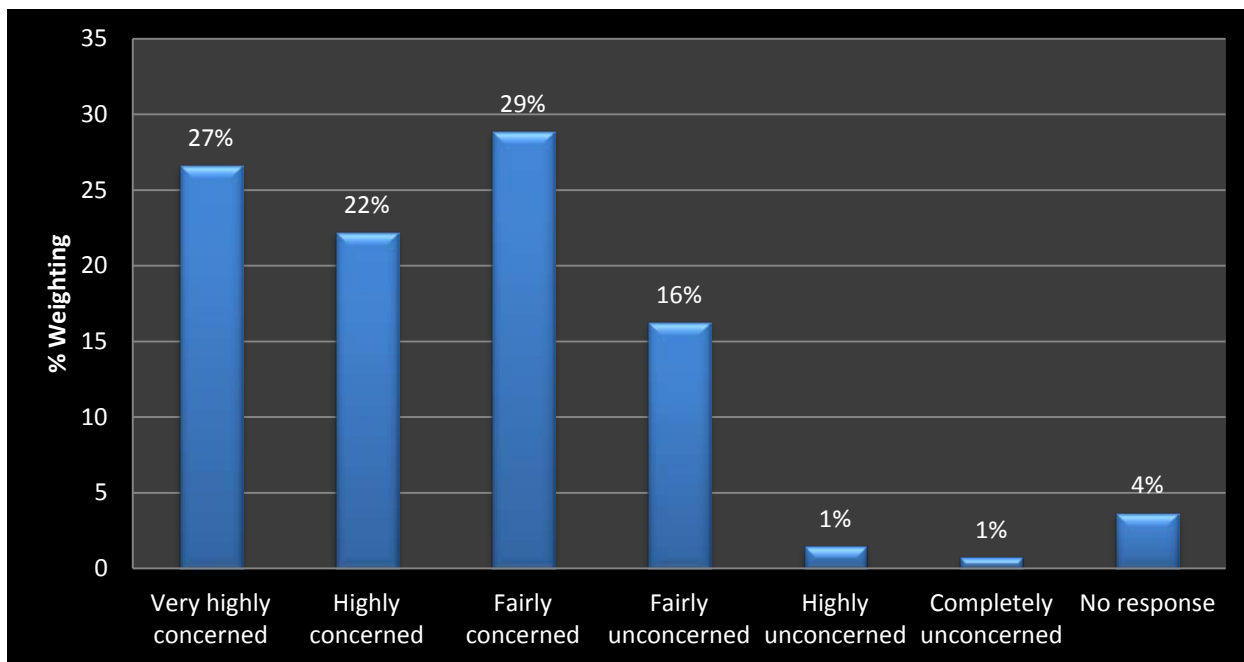
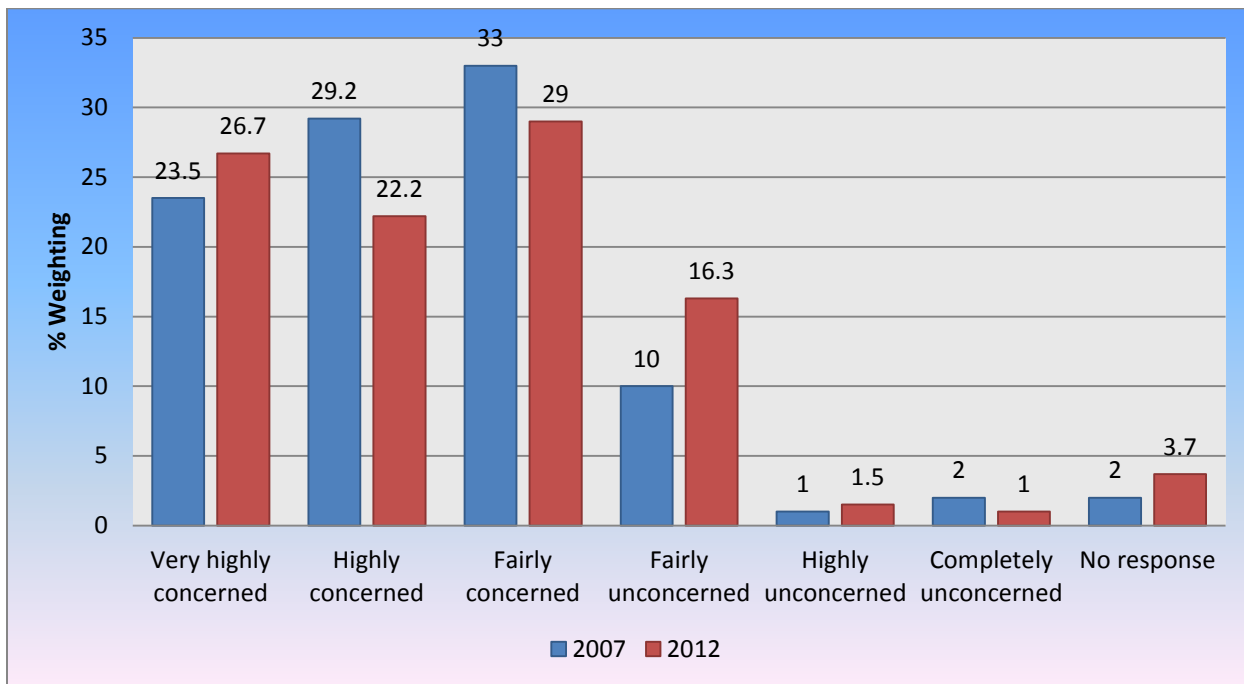


Figure 14b: Fear of Retrospective Changes to Rules and Regulations



Impact on Business Owing to Political Uncertainty

This question was aimed at finding out the impact of political stability on businesses. 41% of the respondents indicated that they are either 'very highly affected' or 'highly affected' (Figure 15a), with around 35% specifying 'fairly affected'. 21% of the businesses indicated that they are 'fairly unaffected' by political stability, 1% are 'completely unaffected' or 'highly unaffected' by policies, with the remaining 2% not indicating whether their business operations are affected by political uncertainty or not

Figure 15a: Impact on Business during Periods of Political Instability

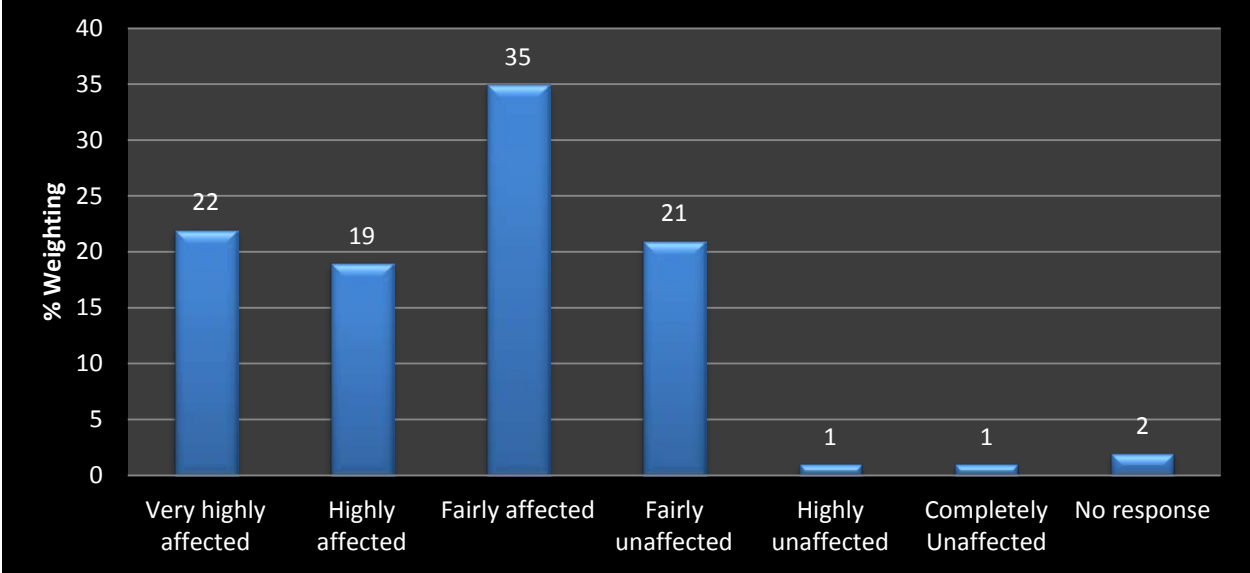
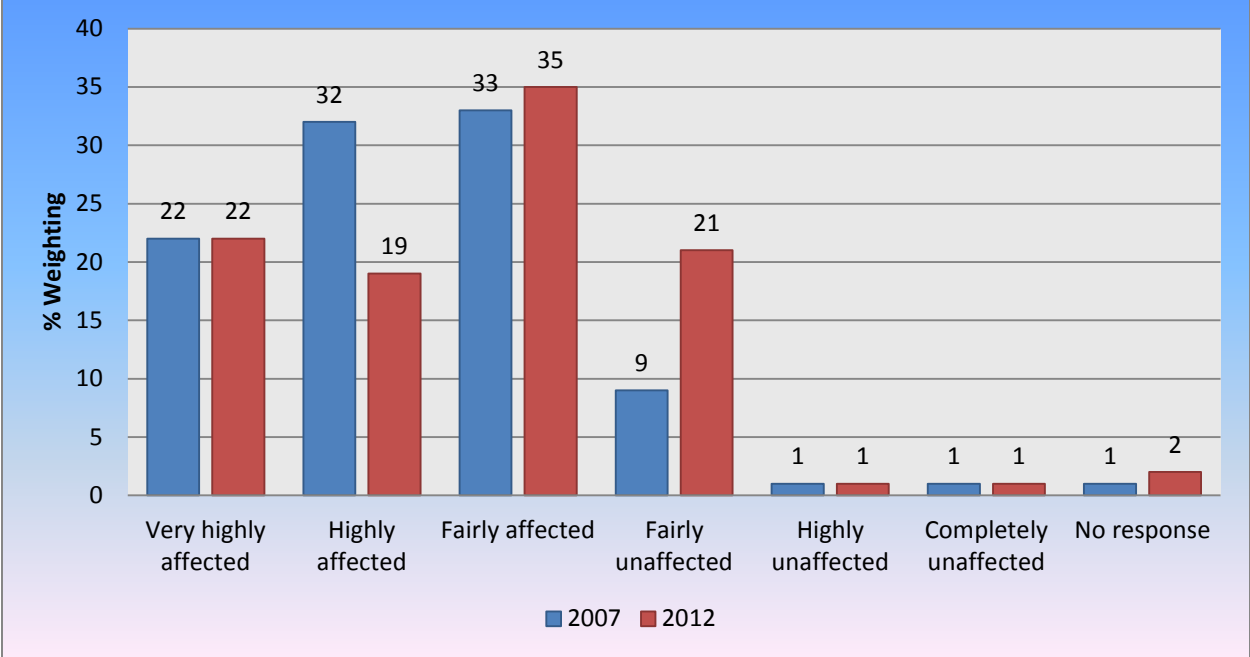


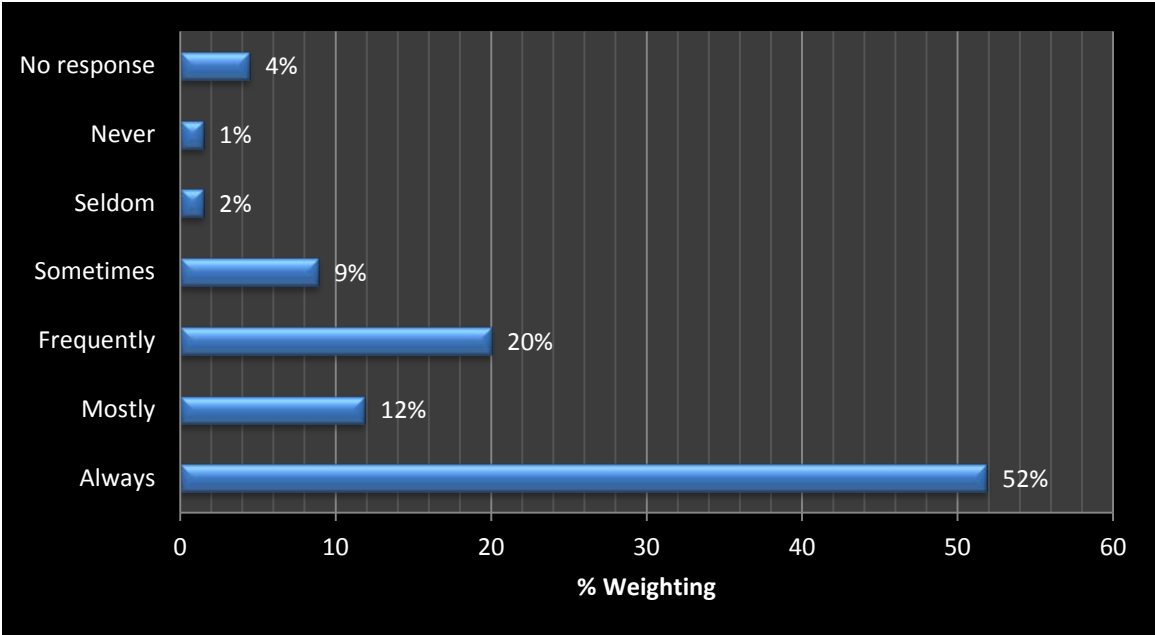
Figure 15b: Impact on Business during Periods of Political Instability



Level of Information and Consultation in Developing Policy and Regulations

This question was gauged to figure out the extent to which businesses feel they should be consulted in the process of policy formulation. 52% of the businesses responded that they feel that they should ‘always’ be consulted in the process of developing regulations and policies (Figure 16); 32% indicated that they should be consulted, ‘most’ of the times and/or ‘frequently’ during the process of developing regulations and policies; 9% felt that they should ‘sometimes’ be consulted; whilst 4% of the businesses did not indicate whether they should be consulted or not. The other 3% of the respondents however indicated that they should ‘never’ be consulted during any process of developing government policies.

Figure 16: Level of Information and Consultation in the Process of Policy Development



Confidence in the Implementation of Policy Announcements

When businesses were asked if they were confident in the government implementing major policies when announced; 31% of the respondents indicated that they are ‘sometimes confident’ (Figure 17a); 30% indicated that they are ‘seldom confident’; around 22% of the business suggested that they are either ‘mostly confident’ or ‘frequently confident’.; whilst 14% of respondents indicated that they are ‘never confident’ in the government implementing major policies; and 2% of the businesses suggested that they are ‘always confident’.. The remaining 4% did not indicate their level of confidence in the government implementing the major policies that they announce. The figures suggest a possible slight improvement in

confidence over implementation of major policy implementation, but generally the level of confidence remains low and unsatisfactory, and with the modest sample sizes involved the improvement could not be deemed significant,

Figure 17a: Confidence in the Implementation of Policy Announcements

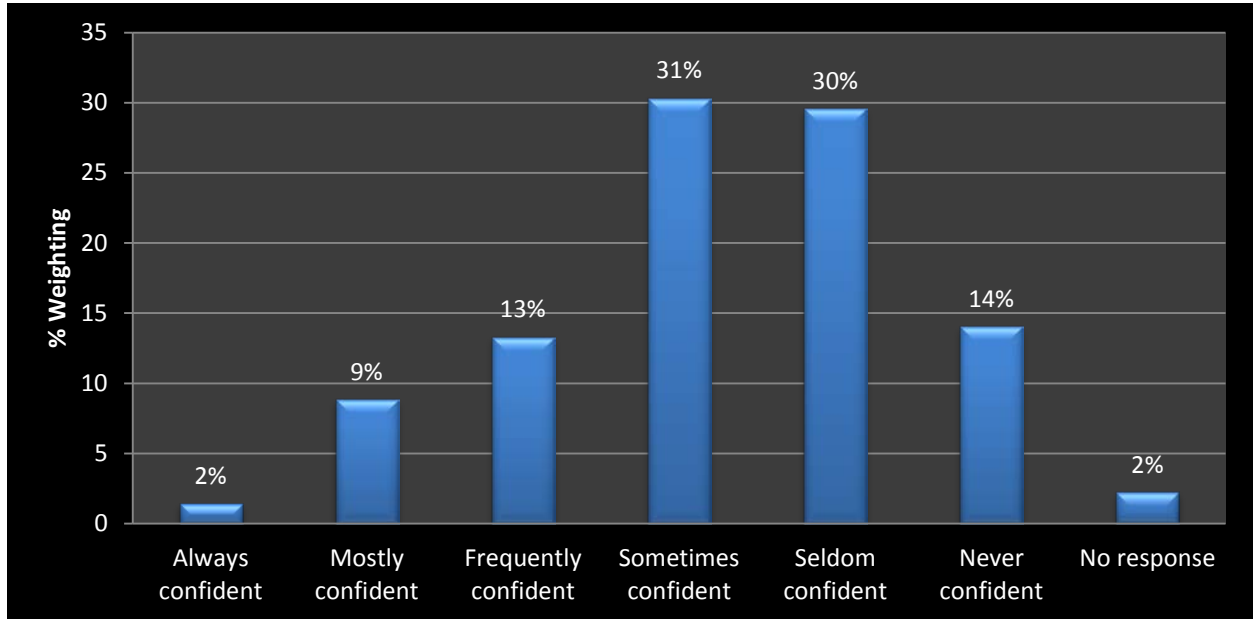
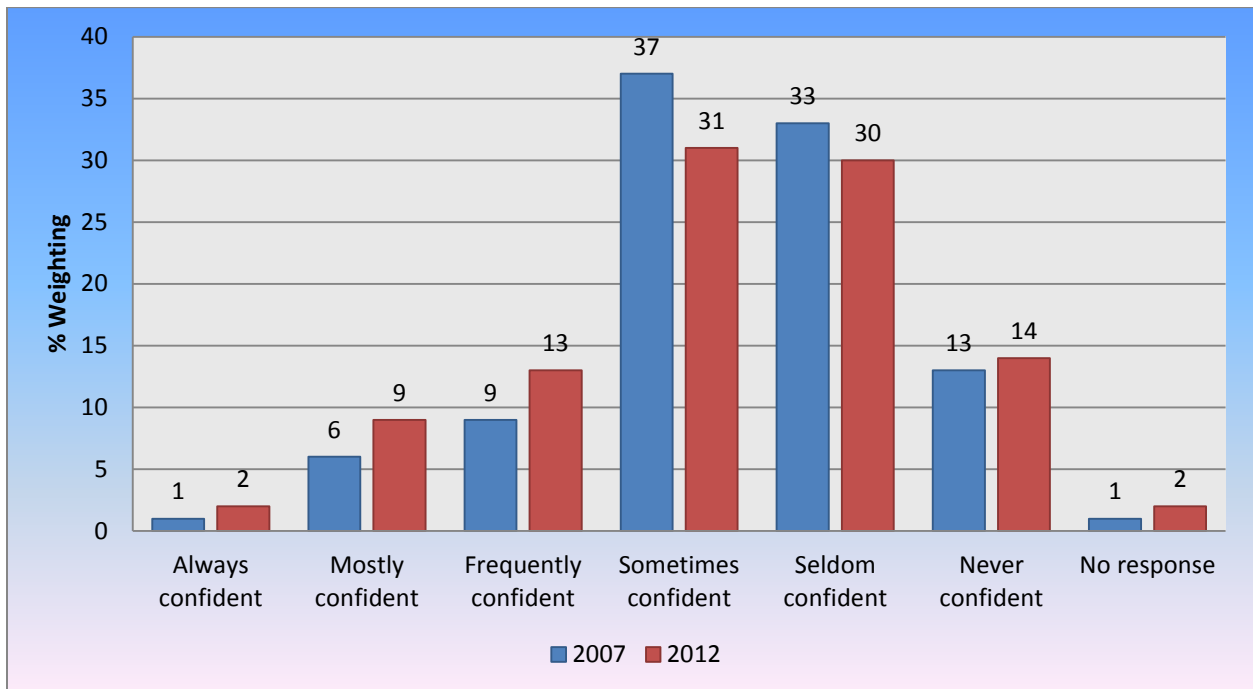


Figure 17b: Confidence in the Implementation of Policy Announcements



Propensity for Rules and Regulations Impacting Business to Change with Changes in Government

Businesses were asked to what extent they think that changes of Government are accompanied with large changes to rules and regulations that have an impact on their business. 66% (Figure 18) generally to full agreed that changes in government cause such major impact on rules and regulations, 19% fully agreeing, 16% in most cases and 31% of the businesses 'tending to agree'; 20% of the respondents 'tend to disagree'; whilst 12% of the businesses either 'disagree in most cases' and/or 'strongly disagree'. The remaining 2% of the respondents did not respond to this question. The survey indicates a minor improvement in outlook from 2007 with respect to major rule changing occurring upon a change of government.

Figure 18a: Propensity for Rules and Regulations Impacting Business to Change with Changes in Government

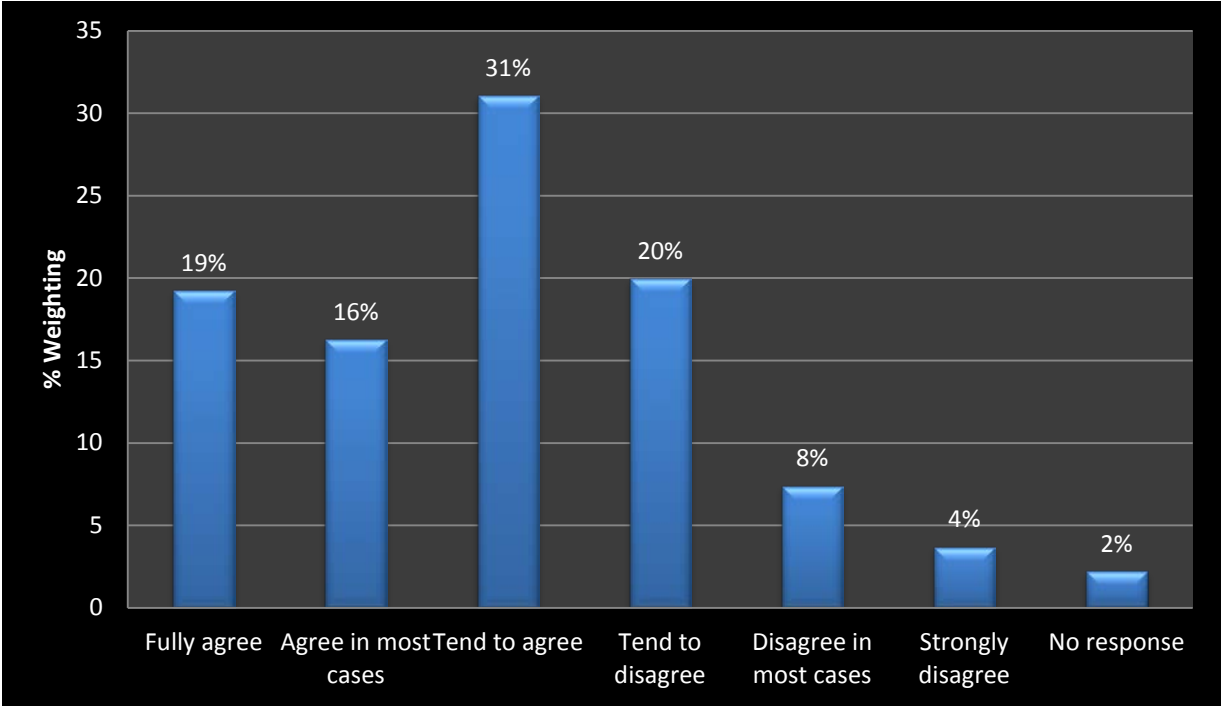
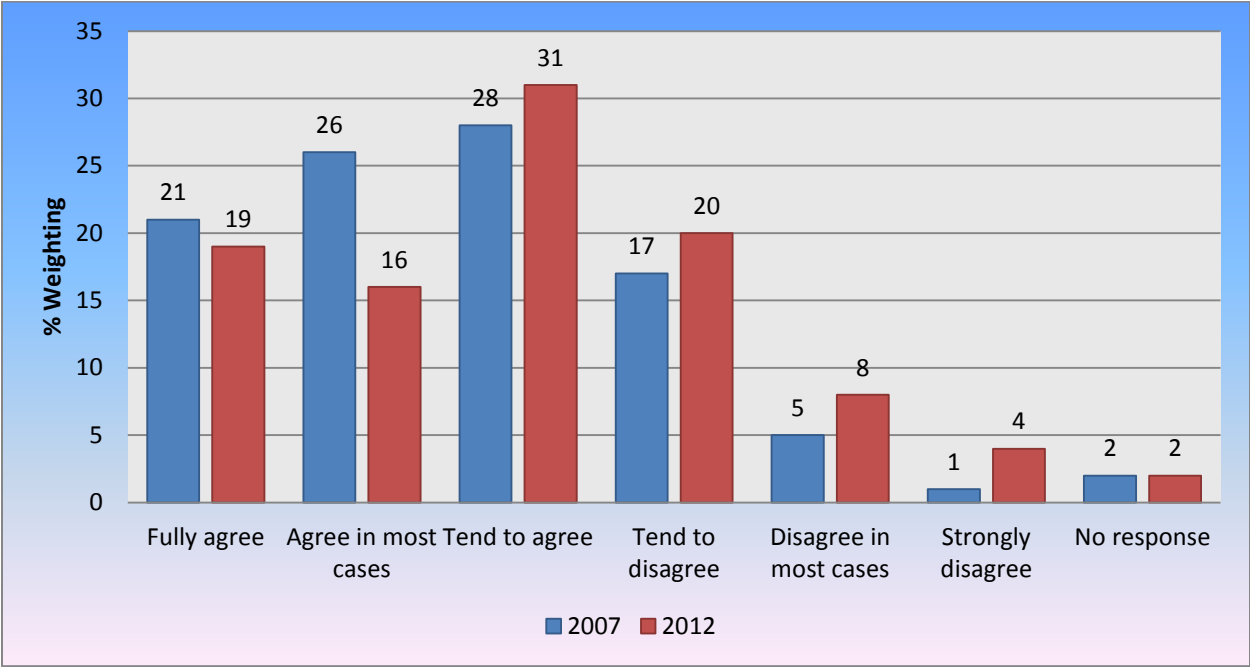


Figure 18b: Propensity for Major Rules and Regulation Changes Impacting Business to with Changes in Government



Concern for the Stability of the Political Environment in PNG

This question was asked to gauge the view of businesses on the stability of PNG’s political environment. Around 89% of them responded that they were either ‘very highly concerned’, ‘highly concerned’ or ‘fairly concerned’ over PNGs’ political stability (Figure 19). Only 7% of the respondents are ‘fairly unconcerned’ and 2% are either ‘highly unconcerned’ or ‘completely unconcerned’. The remaining 2% of the respondents did not indicate their level of concern over the stability of PNGs’ political environment. There is, however, a significant apparent reduction in the portion showing considerable concern in relation to 2007, with the level of concern somewhat more muted in 2012.

Figure 19a: Concern over Stability of PNGs' Political Environment

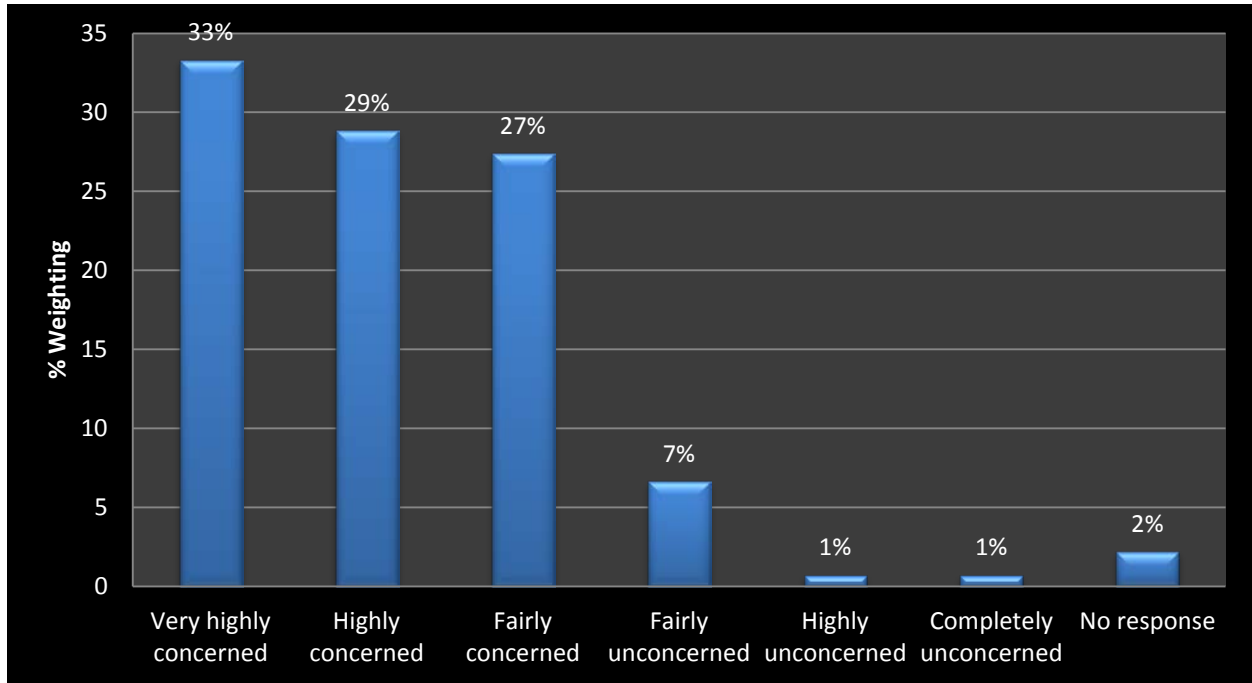
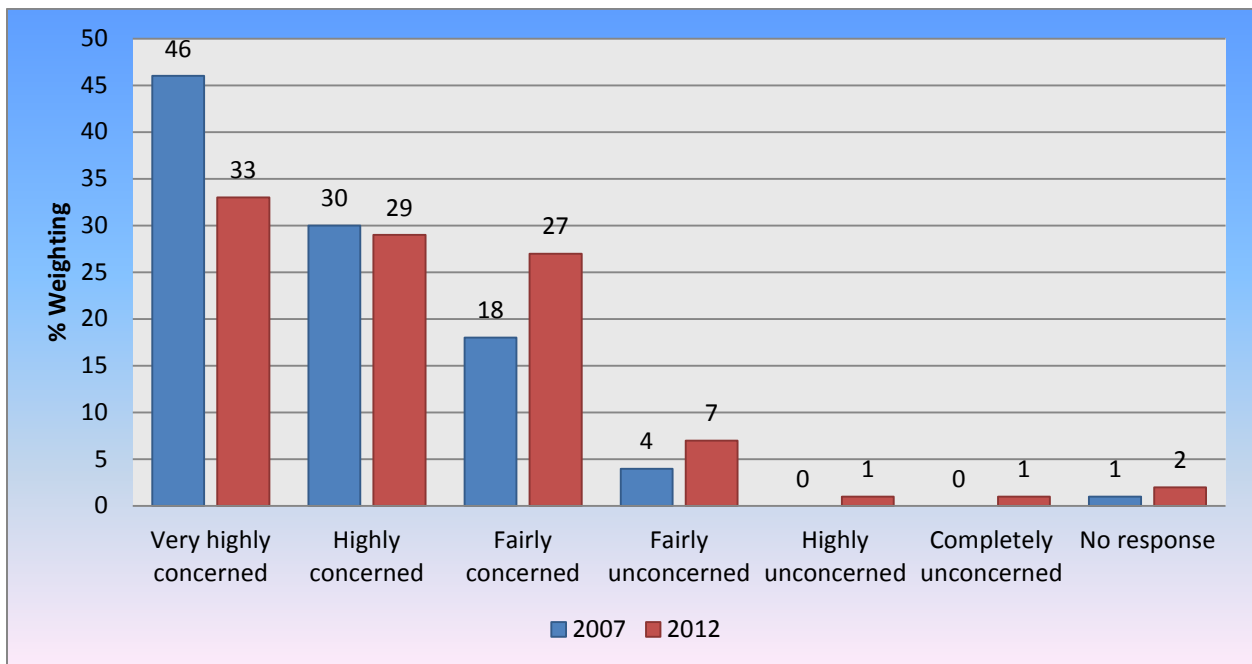


Figure 19b: Concern over Stability of PNGs' Political Environment



Problems of Compliance with Government Regulations and main Compliance Problems

This question asked businesses whether they have decided against proceeding with new investments because of problems related to compliance with government regulations. If the businesses answered yes, then they were asked to highlight the compliance issue that made them decide not to proceed with further investments.

About 32% of the respondents indicated that they had decided against further investments because of compliance problems with government regulations. The other 65% indicated that compliance problems had not prevented investments, which in some cases would indicate that investments proceeded, but in other cases that other factors might have been responsible for lack of investment. The remaining 3% did not answer the question (Figure 20).

Out of the 32% who decided against major investments because of compliance problems with government regulations, 46% indicated 'long processing time' as the main compliance problem that affecting their investment decisions. Another 35% suggested that they decided against further investments because the process was 'too complex and haphazard', whilst the remaining 19% indicated that 'excessive compliance fees' were their main compliance problem against investing (Figure 21).

Figure 20: Problems of Compliance with Government Regulations Preventing Investment

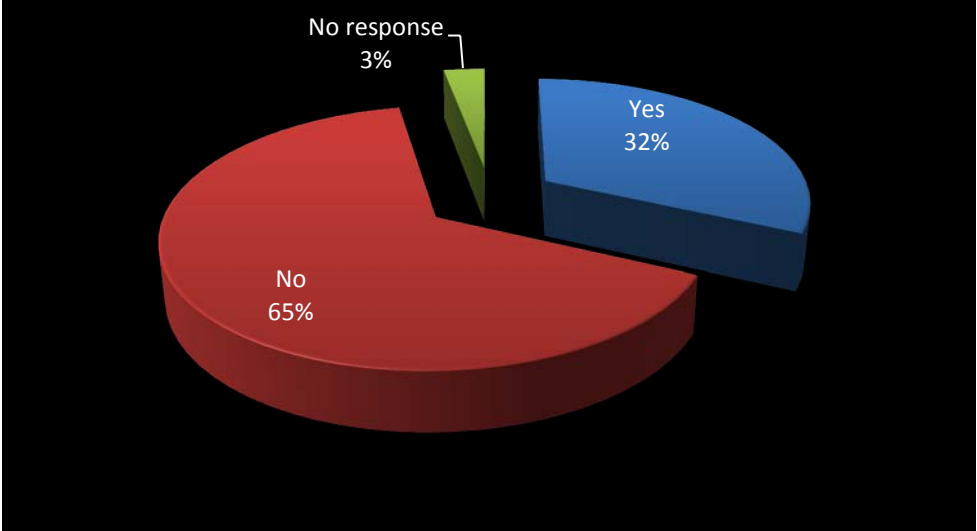
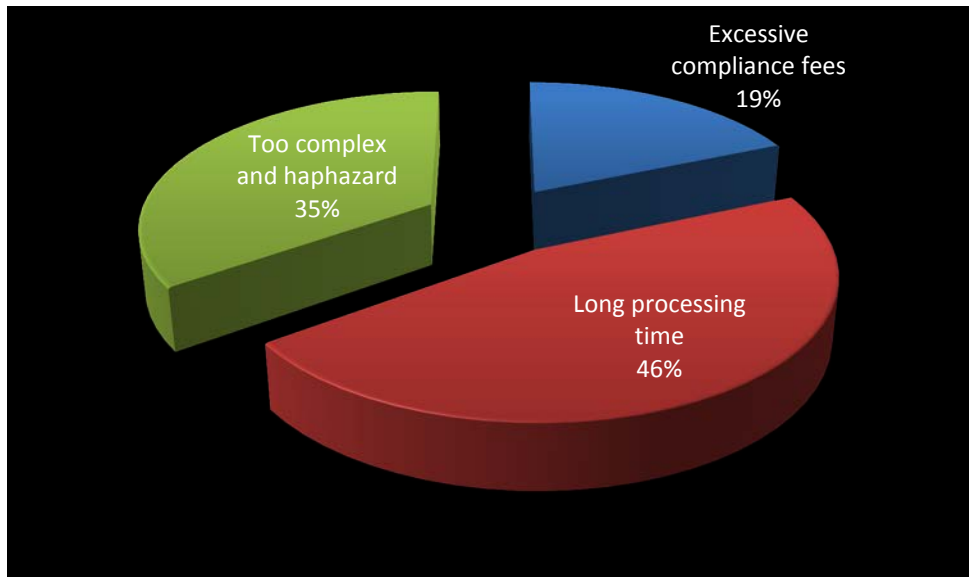


Figure 21: Main Source of Compliance Problems



Part 3: Business Security

Part 3 of the survey aims to discover businesses' perceptions over security aspects of doing business in PNG

Impact on Investments and Expansion Plans resulting from the Law and Order Situation

The first question is to ascertain the extent to which the law and order situation has affected businesses and their decisions for further investment. 81% suggested that they were fairly to very highly affected, comprising 45% of the respondents indicating that their businesses and investment decisions were 'fairly affected' by law and order problems (Figure 22) and 36% that their business and investment decisions were either 'highly affected' or 'very highly affected' by law and order issues. Only 17% of the respondents showed that they are either 'highly unaffected' or 'completely unaffected' by law and order problems when making investment decisions, with 2% unresponsive. From the samples of respondents there appears to have been a reduction in the level of highly to very highly affected business respondents between 2007 and 2012, with markedly more defining themselves as 'fairly affected'.

Figure 22a: Impact on further Investment Decisions of the Law and Order Situation

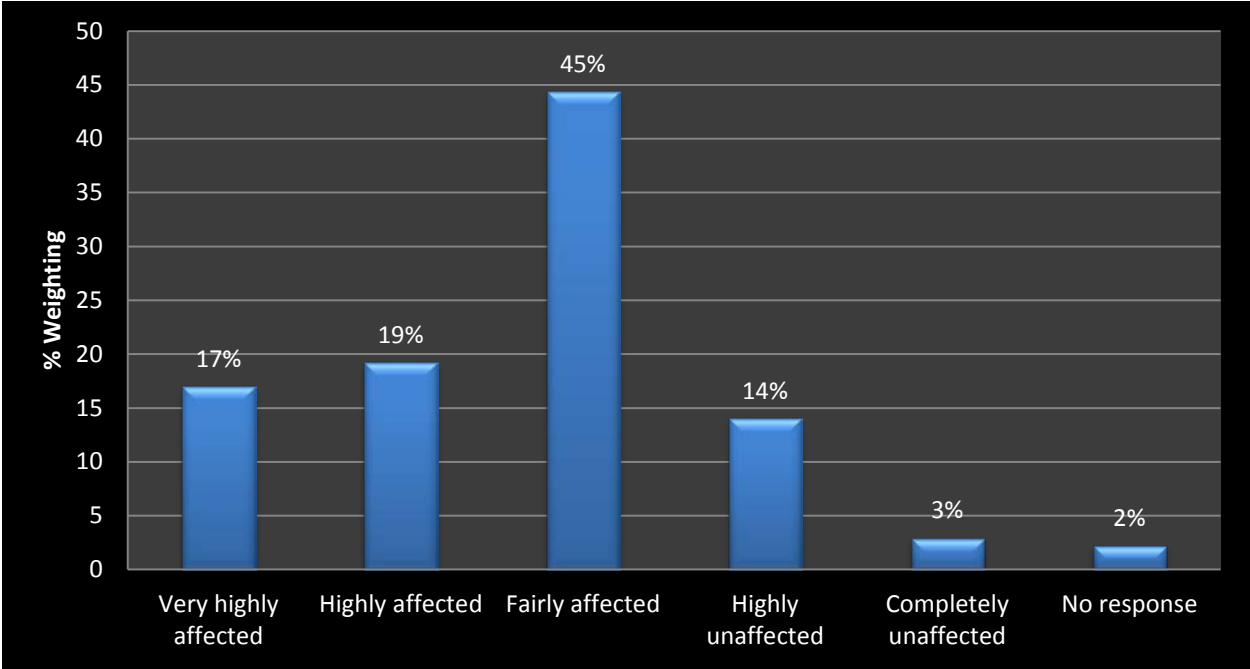
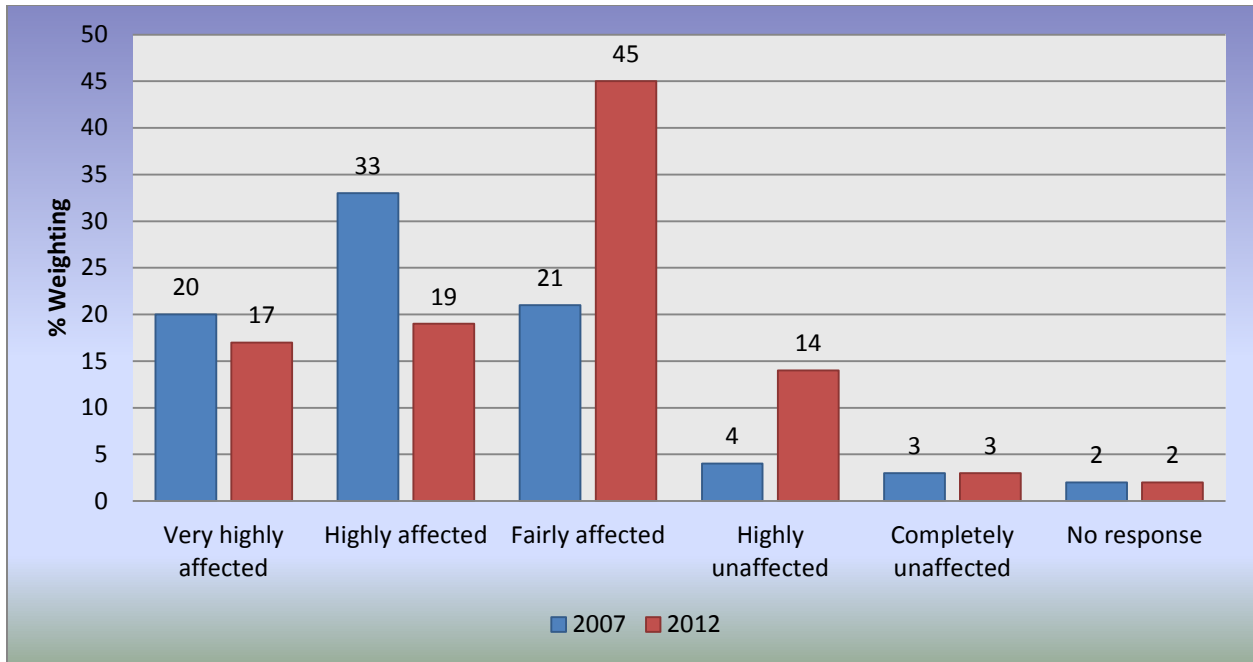


Figure 22b: Impact on further Investment Decisions of the Law and Order Situation



Confidence in the Judicial System

This question seeks to find out the level of confidence the private sector has in the judicial and court system. About 44% of the respondents indicated that they are 'fairly confident' in the judicial system; 18% intimated that they are 'fairly not confident' in the judicial system and around 22% that they are either 'highly' 'completely not confident' in the judicial and court system. Around 14% of the respondents are either 'highly confident' or 'very highly confident' in the judicial system (Figure 23). Although the responses are relatively similar to those in 2007, it remains a concern that 40% show lack of confidence to some extent and only 58% indicate some degree of positive confidence.

Figure 23a: Confidence in the Judiciary and Courts System

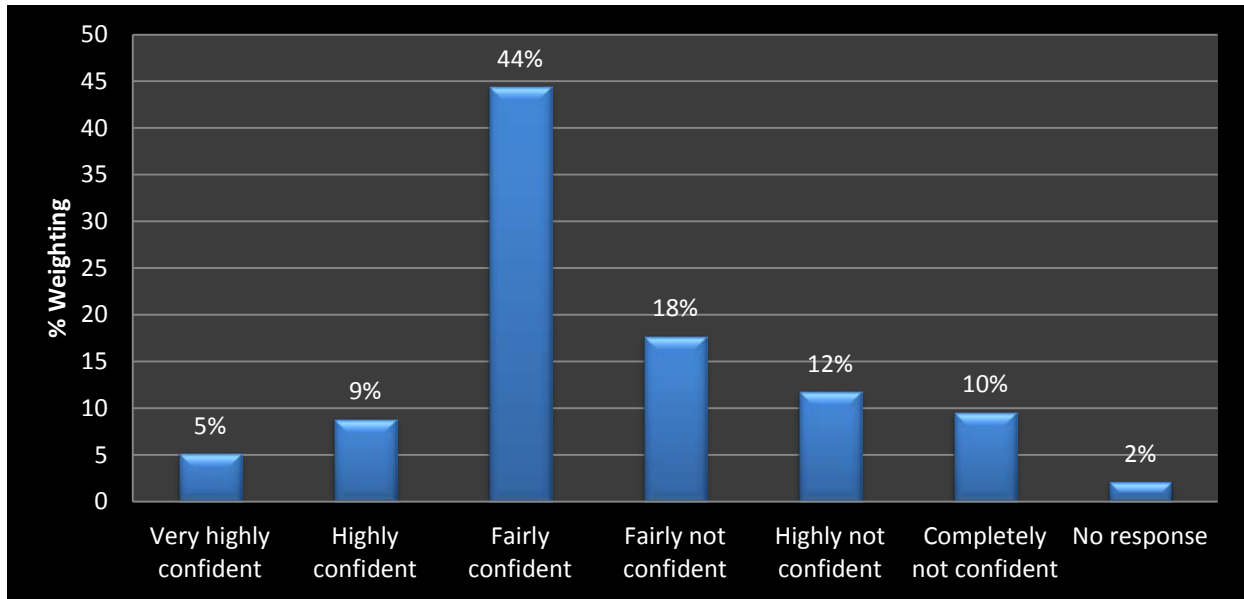
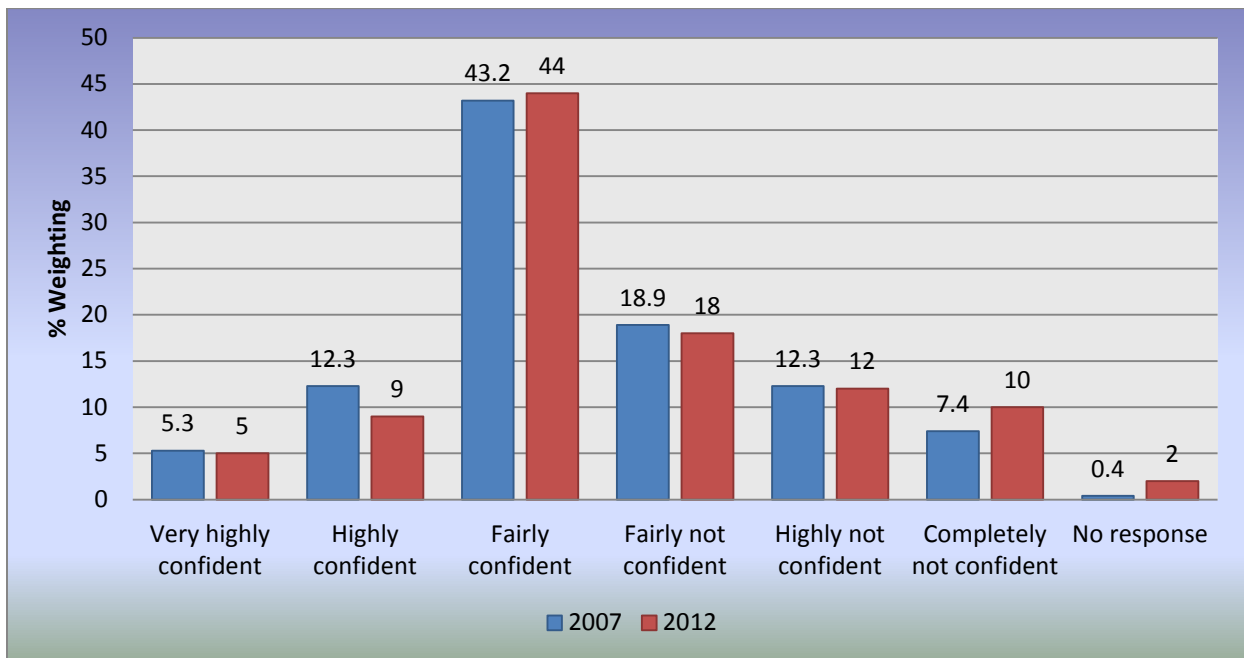


Figure 23b: Confidence in the Judiciary and Courts System

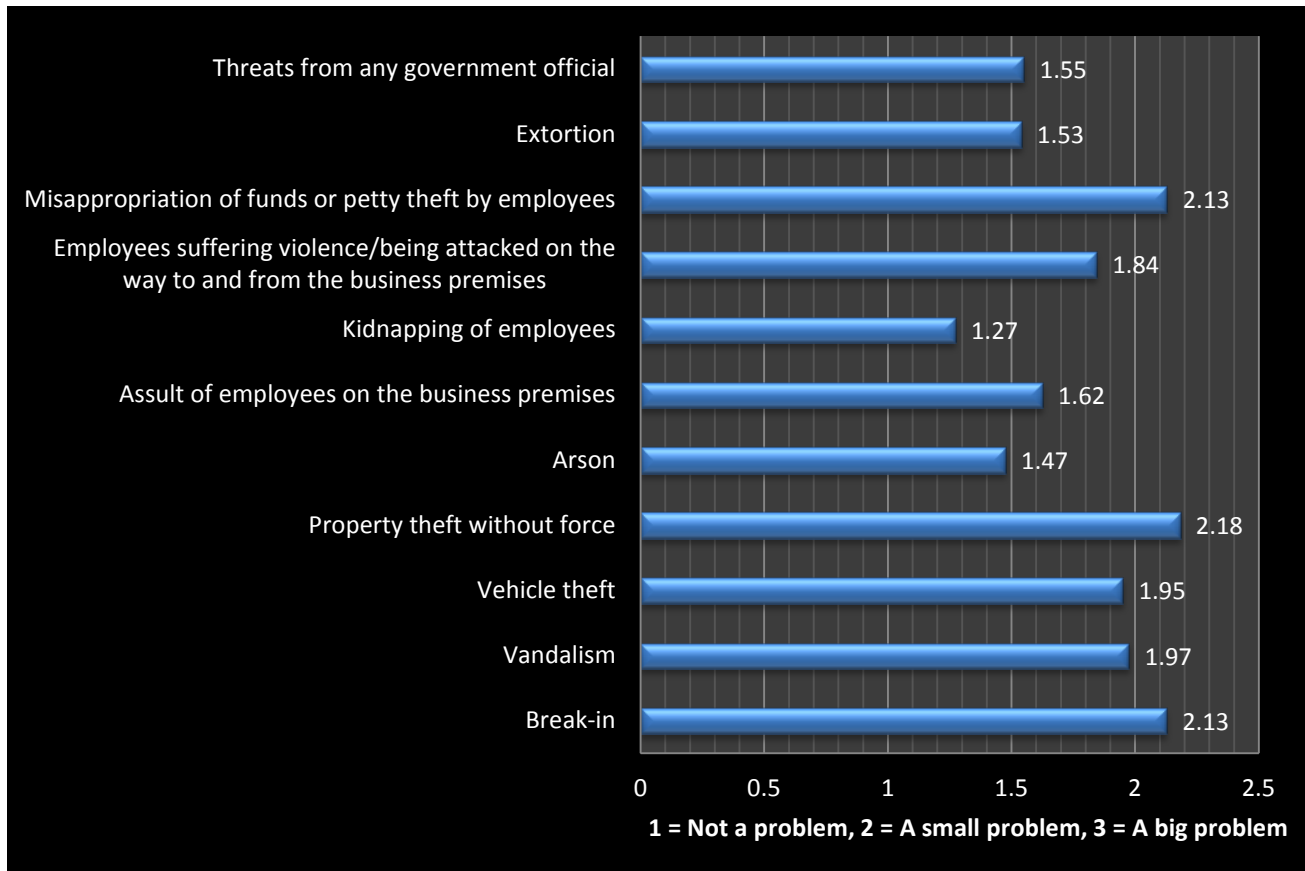


Extent of Impact, Different Types of Crime have on Business

This question aims to ascertain the severity of different crimes for the responding businesses. On a 3-point scale, with 1 being 'not a problem', 2 'a small problem' and 3, 'a big problem', the average was generated from the aggregate. From the data, 'property theft without force' is recorded as the most serious crime to business with the highest ranking of 2.18. Following

closely, 'break-in' and 'misappropriation of funds or petty theft by employees' is recorded as the second most serious crime, both scoring a ranking of 2.13. 'Kidnapping of employees' and 'arson' are seen as the least serious crime to business at the time of this survey, with rankings of 1.27 and 1.47 respectively. The rankings are illustrated in Figure 24. (Clearly this ranking largely reflects the frequency and average impact of crime, rather than a rating of the severity to the business and victims if/or when more violent crime is perpetrated)

Figure 24: Different types of Crime and their Level of Impact on Business

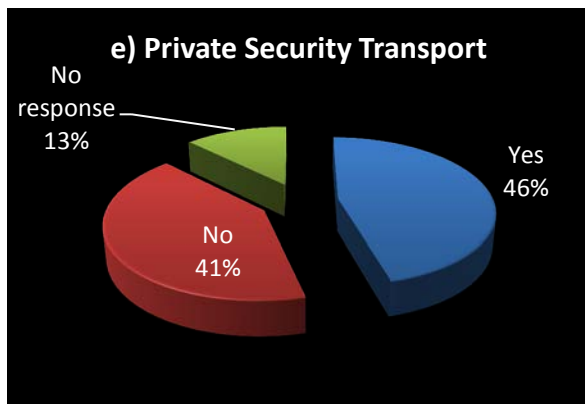
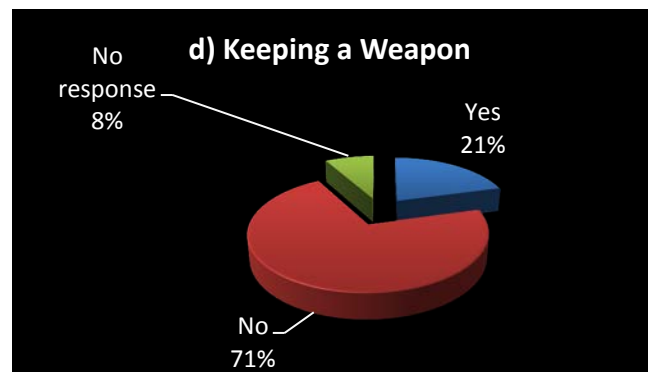
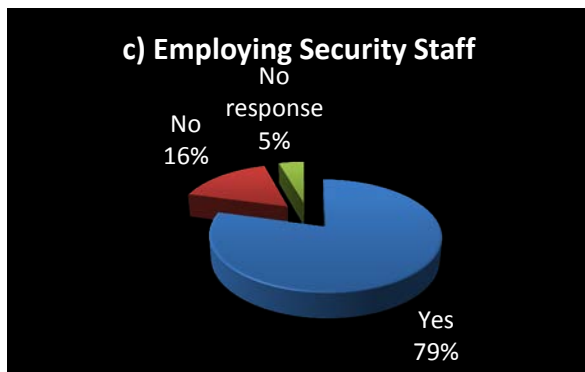
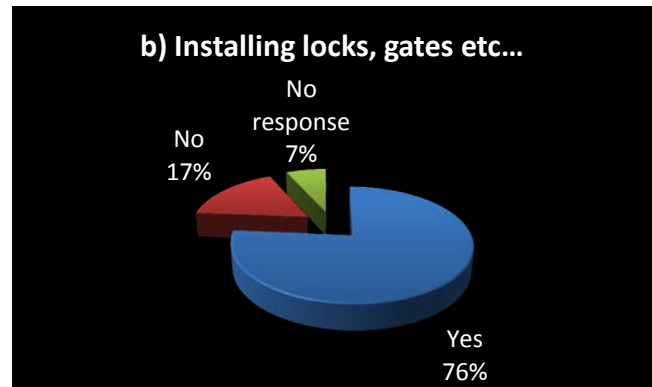
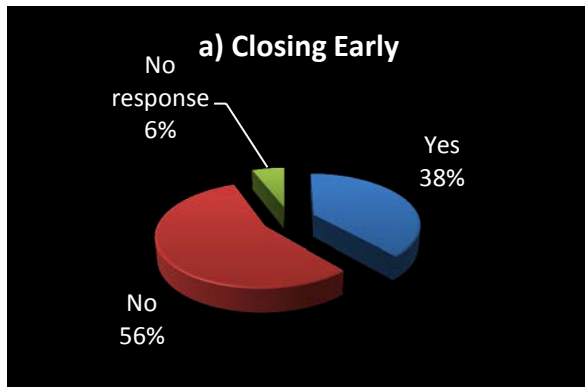


Precautionary Measures taken to Protect Business

As a follow up to question 3, question 4 asks respondents if there were any precautionary measures taken to protect their business from crime. When asked if they close business early to protect it from crime, 56% showed that they did not close early to avoid crime. The other 38% indicated that they close early to protect their business from crime. 76% of the respondents indicated that they have installed locks, gates, security systems, CCTV, alarms or other security hardware to protect their business from crime. When asked if they employed security staff, 79% of the respondents confirmed that they employ security personnel to protect their business from crime. Only 16% of the respondents indicated that they do not employ security

staff to protect their business. When asked whether they keep weapons to protect their business from crime, 71% said 'no'. The other 21% indicated 'yes', they kept weapons in their business premises to protect their business against crime. Businesses were also asked if they have private security transport for their employees. 46% of respondents confirmed that they have private security transport arrangements for their employees, whilst the other 41% indicated that they do not have such transport arrangements (Figure 25).

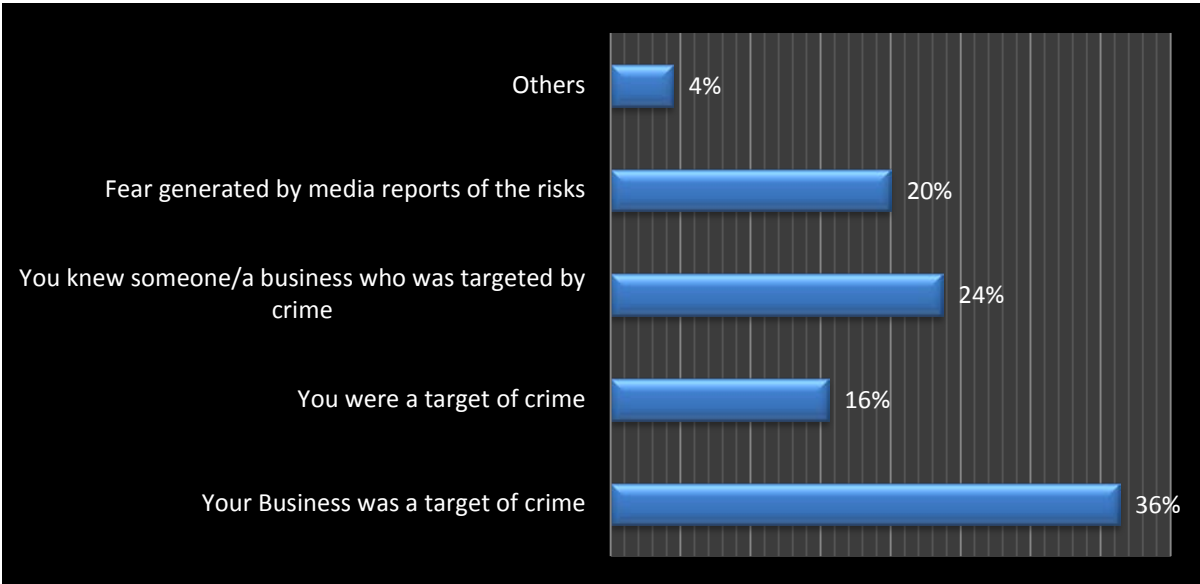
Figure 25: Precautionary measures taken to Protect Business premises, properties and employees from Crime



Factors Prompting Businesses to take Precautionary Actions

In the previous question, certain precautionary measures were specified to protect business property, premises and employees. As a follow up, businesses were asked why these measures were taken. As indicated in Figure 26, 36% of the respondents showed that measures were taken to protect the business premises and employees because their *business was a target of crime*. About 24% of the respondents indicated that they *knew someone/a business who was targeted by crime* thus it prompting them to take actions to protect their business and properties. Around 20% of the businesses indicated that it was *fear generated by the media* that made them to take actions to protect their businesses premises and employees. 16% indicated the reason being that that they themselves were the target of crime.

Figure 26: Reasons for taking Precautionary measures to Protect Business Premises, Properties and Employees from Crime.



Cost incurred to protect Business from Crime

This question was asked to find out the cost incurred to business from their actions taken to protect their business from crime. The respondents were asked to indicate their estimated expenses on: - 1) Locks/Gates, 2) Security cameras and 3) Security alarms. From their response, businesses indicated that they spend an average K15 432 yearly on installing and maintaining ‘lock and gates’ to protect their business from crime. An average of K27 502 is spent yearly on installing and maintaining the operations of ‘security cameras’ and K13 382 is spent yearly on average by each firm on the ‘security alarms’ system in order to protect their business from crime; (clearly costs vary in relation to type and the nature of the business)

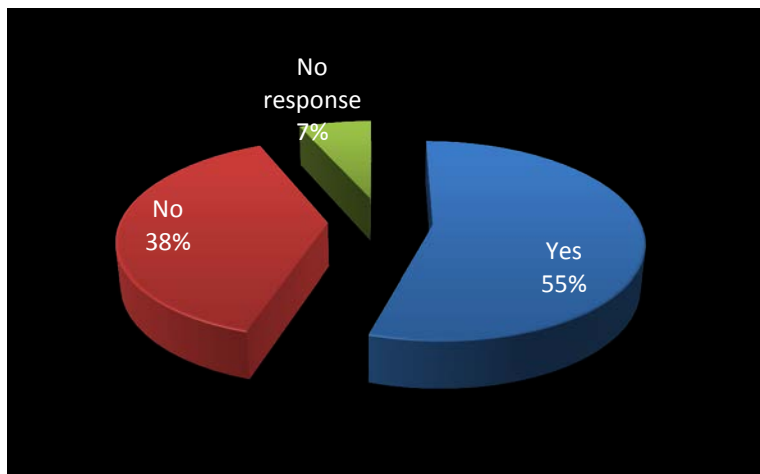
Employment of Security Guards to Protect Businesses

This question asks businesses to indicate if they employed private security personnel to protect their businesses. About 55% of the respondents indicated that they do employ private security personnel to protect their business premises and employees from crime. The other 38% showed that they do not employ private security personnel (although, as per Q... above, businesses in many cases also employ security staff on their own payroll) and the remaining 7% did not respond to the question (Figure 27). (Steven: *in question 4 above the response was that 79% employed security staff; but here it says that 55% employ private security personnel...can you explain the variation...Maybe the difference relates to 'private' security personnel?*)

As a follow up to the previous question, businesses were asked to indicate how much in percentage, the security personnel employed make up of the total workforce for the business. From those respondents who responded previously that they employed private security personnel, they indicated that on average, security staff make up about 9% of the total employees.

When asked how much is spent on security guards as a percentage of total cost to the business, the respondents indicated that on average, 6% of total cost to the business is incurred on employing security guards. Furthermore, respondents indicate that the cost incurred to their business on 'payments of item or stock stolen' make up on average 4.4% of total expense.

Figure 27: Firms Employing Private Security Personnel

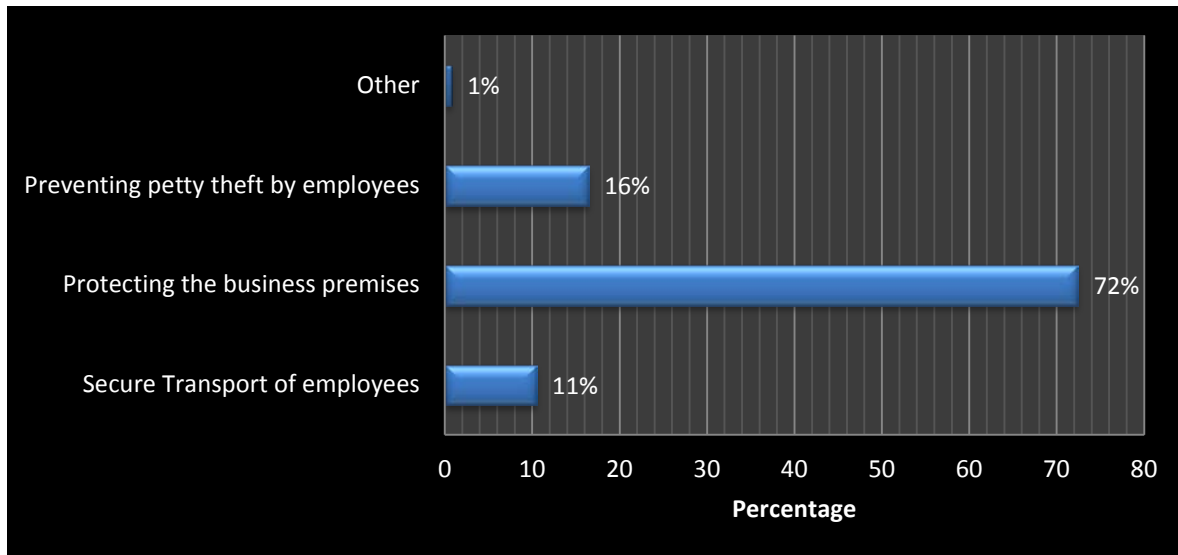


Main Functions of the Security Guards Employed by Businesses

This question asks businesses to indicate the main tasks of the security guards they employ. 72% of the respondents specified that the main tasks of the security guards entails 'protecting the business premises'. This is done by providing surveillance in and around the business

property, monitoring the gates, doors, security cameras etc,. 16% of the respondents indicated that the security guards' main task is to 'prevent petty theft by employees' and 11% said that their main task is to provide 'secure transport' for their employees (Figure 28).

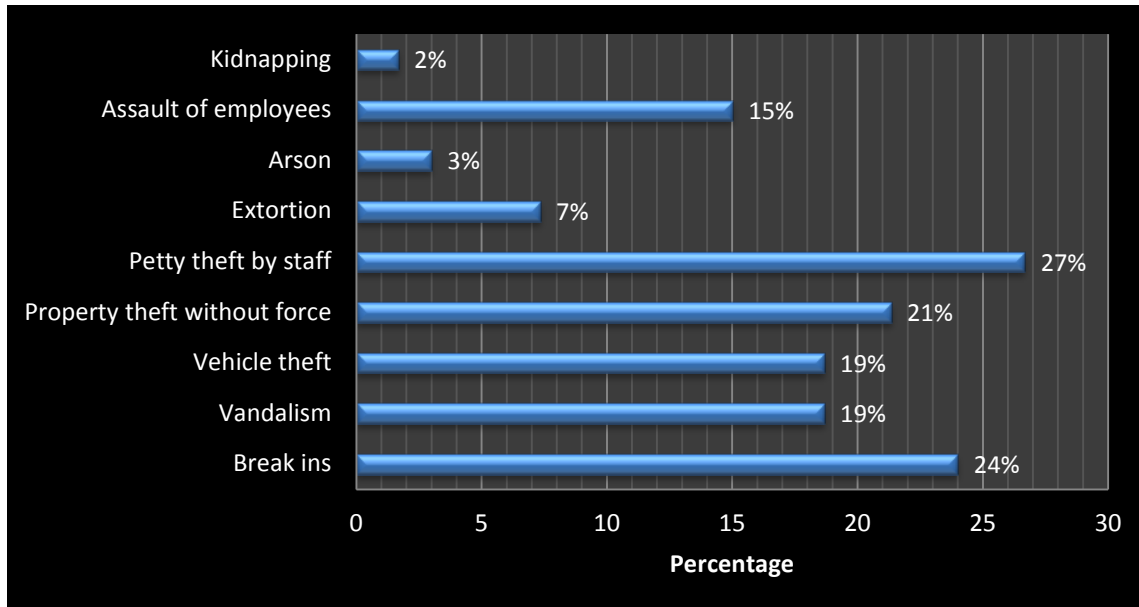
Figure 28: Main Tasks of Security Personnel Employed



Frequency of Crime against Businesses over the Last Year of Operations

This question asks businesses to indicate the type of crime that is most common and/or the affects their business the most. From information gathered, 27% of the respondents indicated that 'petty theft by staff' is the most common crime to their business. The second most common crime to their business is 'break – in' with 24%. The least common crimes to businesses are 'kidnapping' and 'arson', with 2% and 3% respondents respectively (Figure 29).

Figure 29: Frequency of Crime against Businesses over the last year of Operations



Loss Incurred to Business because of Crime

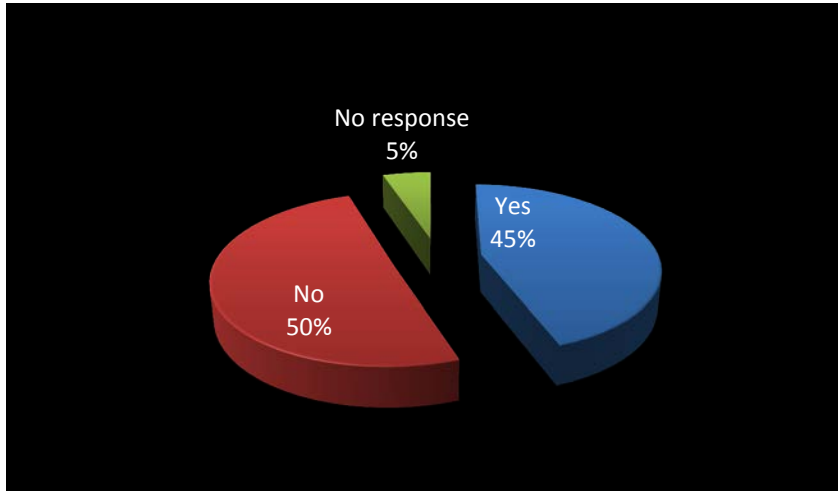
This question asks businesses to indicate losses incurred by businesses from crime related activities. Respondents indicated losing, on average, around K68,561.10 per year, because they ‘closed their business temporarily’ mainly for security reasons. That is, on average, K 5,731.42 per month loss incurred when businesses close temporarily. When asked to indicate losses made from ‘replacement of stolen merchandise and property’, respondents indicated that an average of K6,982 per month is spent. That is, on average, K83,784 annual loss incurred to businesses to replace stolen merchandise and other properties. ‘Petty theft by employees’, on average, adds up to around K61,232 annually lost by businesses. Loss to businesses because of ‘broken security infrastructure, such as windows, gates, alarms, CCTV etc.’ incurs loss to businesses around K21,807 annually on average. When businesses were asked to estimate the loss incurred because of ‘staff time off work due to injuries and security reasons’, it was indicated that on average K23,385 is lost annually when employees do not work because of injuries or security reasons. That is K1,948.75 per month loss incurred to businesses when employees are absent from work because of security/crime-related reasons.

Periods in a Year when Crime is Common

This question asks business if there were certain times or period of the year when crime was common to business. 50% of the respondents indicated that there is no specific time or period of the year that crime is more common to their business. This could mean that crime is prevalent all year around. 45% of the respondents indicated that ‘yes’, there are certain specific

times and periods of the year when crime is more frequent than other times. The other 5% of the respondents did not respond to this question (Figure 30).

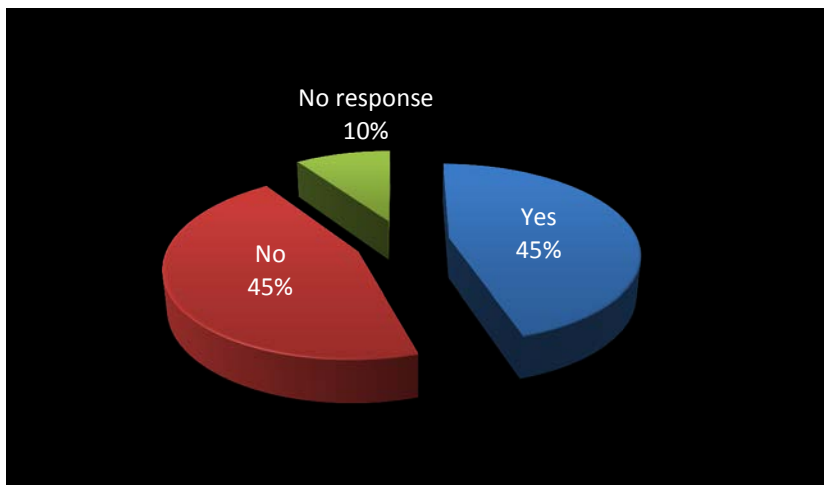
Figure 30: Question on whether there are certain Periods in a Year when Crime is high



Times in a Day when Crime is High

This question, unlike the previous question, inquires whether there are certain times of the day when crime is more of a threat to business. 45% of the respondents showed that there is no specific time in a day when crime is more prevalent to their business. The other 45% of the respondents indicated that 'yes', there are certain specific times of the day when crime is more frequent than other times. The other 10% of the respondents did not respond to this question (Figure 31).

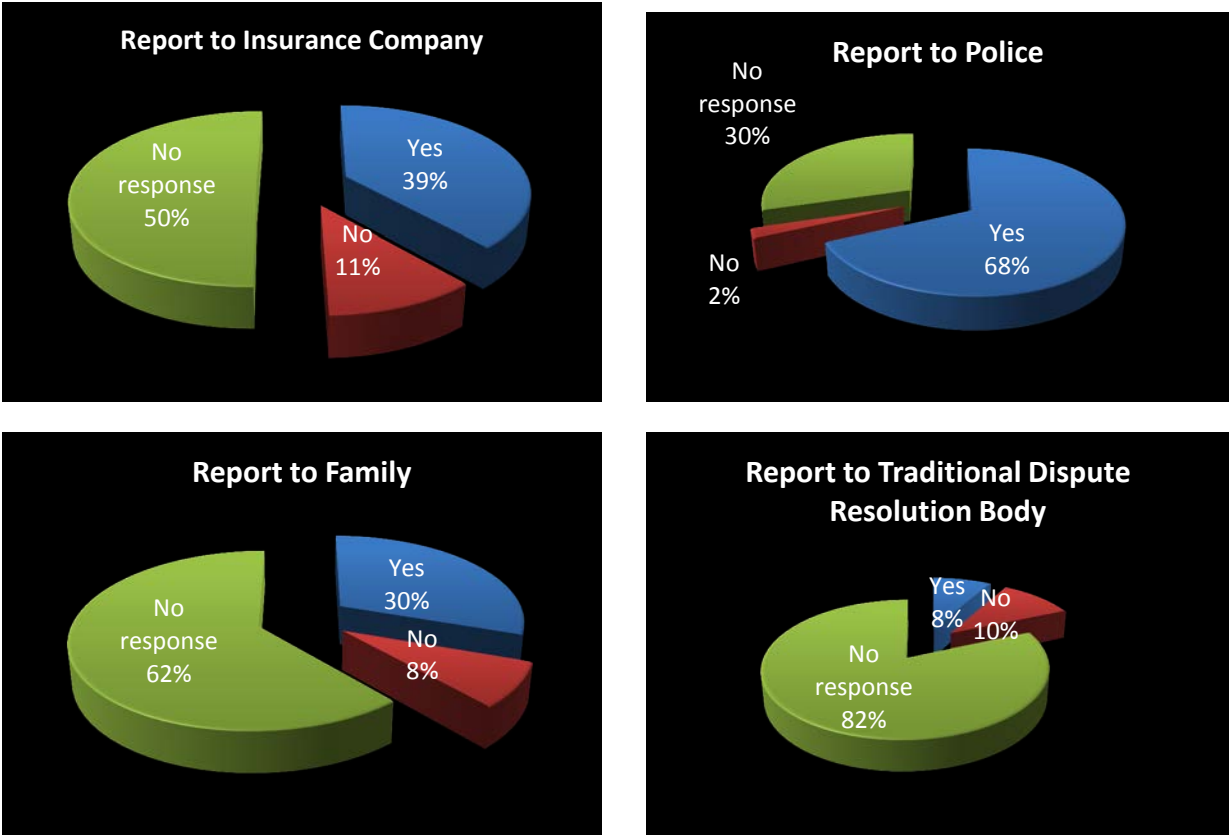
Figure 31: Question on whether there are certain times in a day when Crime is High



Business Reporting of Crime

In this question, businesses were asked, to which authorities and/or institutions did they report when their business became a victim of crime. When they were asked if they reported any crime to their business to their insurance company, 39% responded 'yes' and 11% responded 'no' whilst the remaining 50% did not answer this question. When asked if they had reported to the police, 68% indicated that 'yes' they reported the matter to the police and the other 2% showed that they did not report the matter to the police, whilst 30% did not show whether they reported the matter to the police or not. When asked if they reported any crime to their families, 30% indicated 'yes' and 8% said 'no' they did not report crimes to their families. When businesses were asked whether they reported crimes affecting their businesses to any traditional dispute resolution body, only 8% of the respondents indicated that 'yes' they did, for example to village courts, local peace mediators or local leaders. More than half, 82% did not respond to this question and 10% showed that they did not report the matter to any traditional dispute resolution authority (Figure 32).

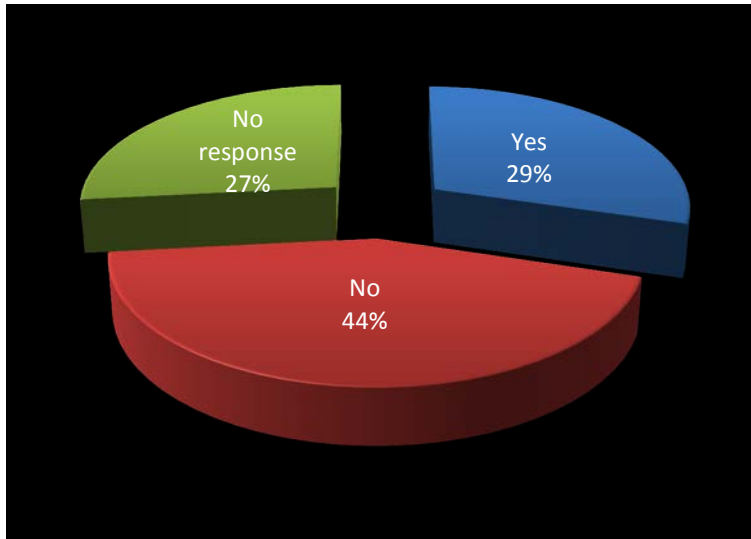
Figure 32: Question on which agency/authority businesses reported crimes to



Level of Satisfaction Gained on the Manner in which Crimes Reported are Handled

This question seeks to find out the level of satisfaction over authorities' handling of reported crimes to. 44% of the respondents indicated that they were not satisfied over the manner in which crimes reported to authorities were handled. The other 29% showed that they were satisfied with the way the authorities dealt with reported crimes. The remaining 27% did not indicate whether they were satisfied or not over the handling of reported crimes (Figure 33).

Figure 33: Question on Satisfaction Gained from the way in which Reported Crimes are Handled by Authorities



Cost Associated with Reporting Crimes

This question was asked to find out the cost associated with reporting crime to businesses. The respondents were asked to provide an estimate on how much they spent reporting the most recent crime and to which authority it was reported. As shown in Figure 34, 51% of the respondents indicated that they reported incidents of crime to their business to the police and the process cost them an average of K1,808.30. When asked if the business had reported incidents of crime to an insurance company, 34% of the respondents showed that they did and the process cost them on average K7,547.83. 38% of the respondents indicated that there were transportation costs involved during the process of reporting the most recent crime to their business and, on average, they spent around K3,380

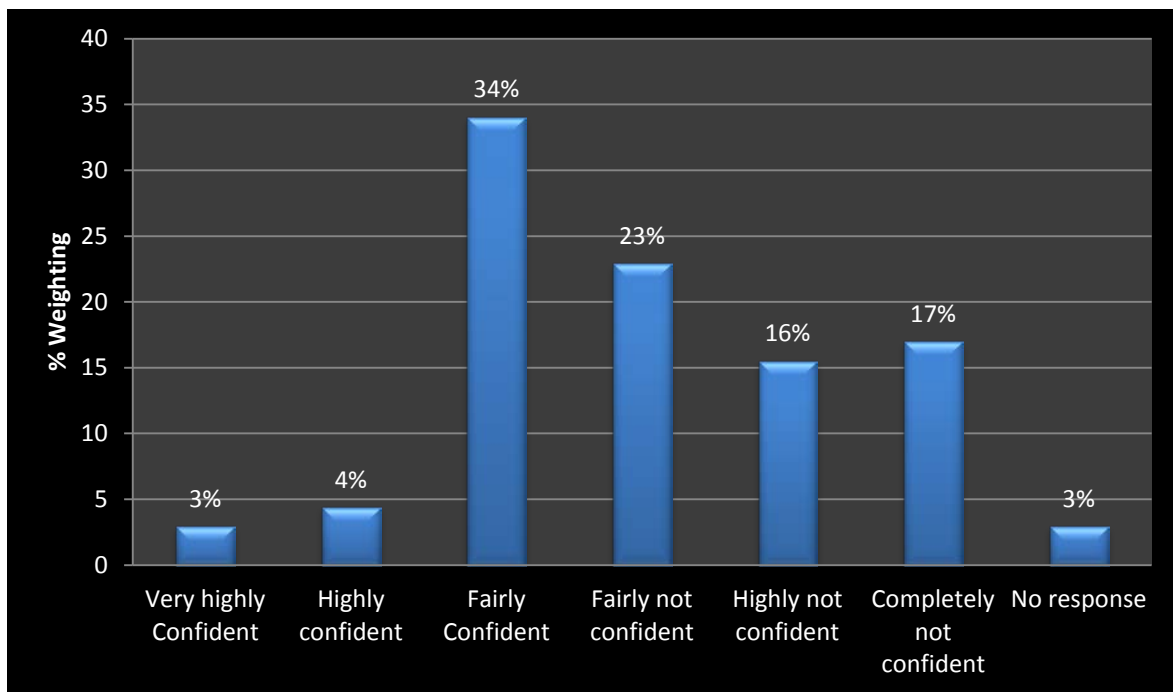
Figure 34: Authorities that the most recent crimes were reported to



Confidence in the Law Enforcement Institutions

This question asks the businesses to gauge their confidence in the law enforcing agencies (including police, customs, immigration etc.). 56% indicated that they were fairly to completely unconfident; 34% of the respondents showed that they are 'fairly confident' in the law enforcing agencies. 23% showed that they are 'fairly not confident', 17% are 'completely not confident' and 16% of respondents are 'highly not confident' in the law enforcing agencies (Figure 35). Only 7% indicate that they are either 'very highly confident' or 'highly confident' in the law enforcement agencies.

Figure 35: Level of Confidence in the Police, Customs, Immigration and other Law Enforcement Institutions



Hindrance to Investments and Business due to Non – Accessibility to Land

This question asks businesses if gaining land was a problem to their business or not. 72% of respondents specified gaining access to land as a 'minor' to 'very major hindrance' to their business, comprising 29% indicated it as a 'very big hindrance' to their business and impacts greatly on their investment decision-making; about 27% of the respondents showed gaining access to land either as a 'big hindrance' or 'fairly big hindrance' to their business, with 16% showing it is a 'minor hindrance'. Only 6% of the respondents indicated gaining access to land is 'not a hindrance at all' to them, with 17% of the respondents indicating it as 'not applicable' to their nature of business, and 4% not responding to the question, whilst (Figure 36). There seems to have been some increase in those defining access to land as a very big hindrance from the 2007 to 2012 surveys, although there's an apparent marked reduction in those defining it as a big hindrance, but with 72% having difficulties with access in 2012, and a similar number recorded for 2007, this issue remains serious and has shown no signs of going away, despite well-publicised government focus in recent years on reform of land administration.

Figure 36a: Access to Land as Hindrance to Investment

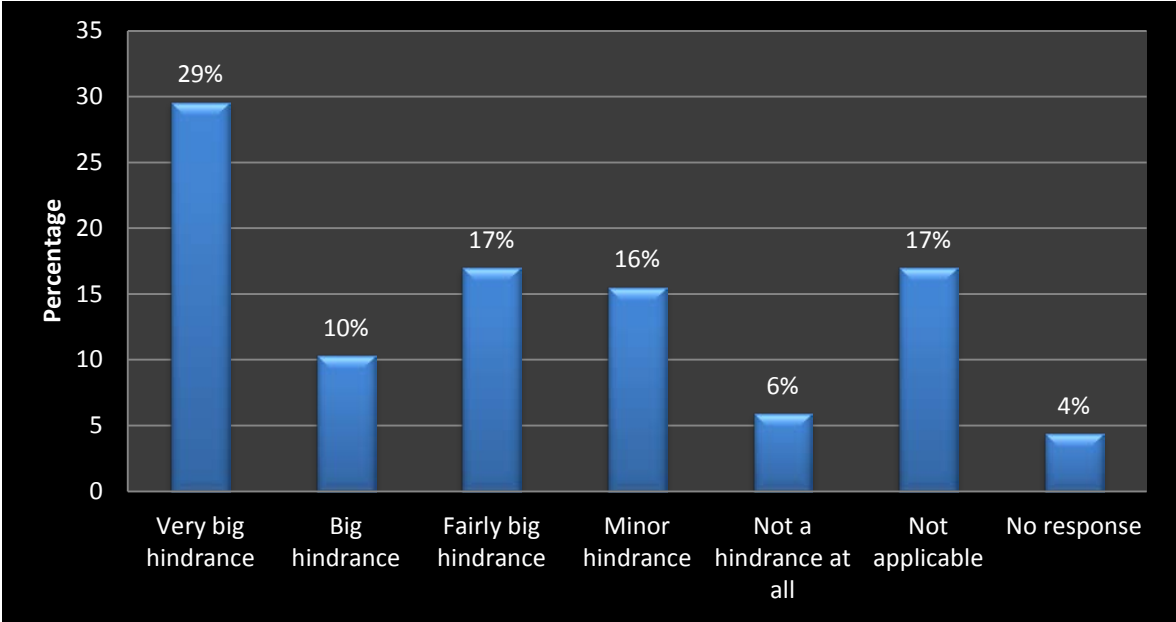
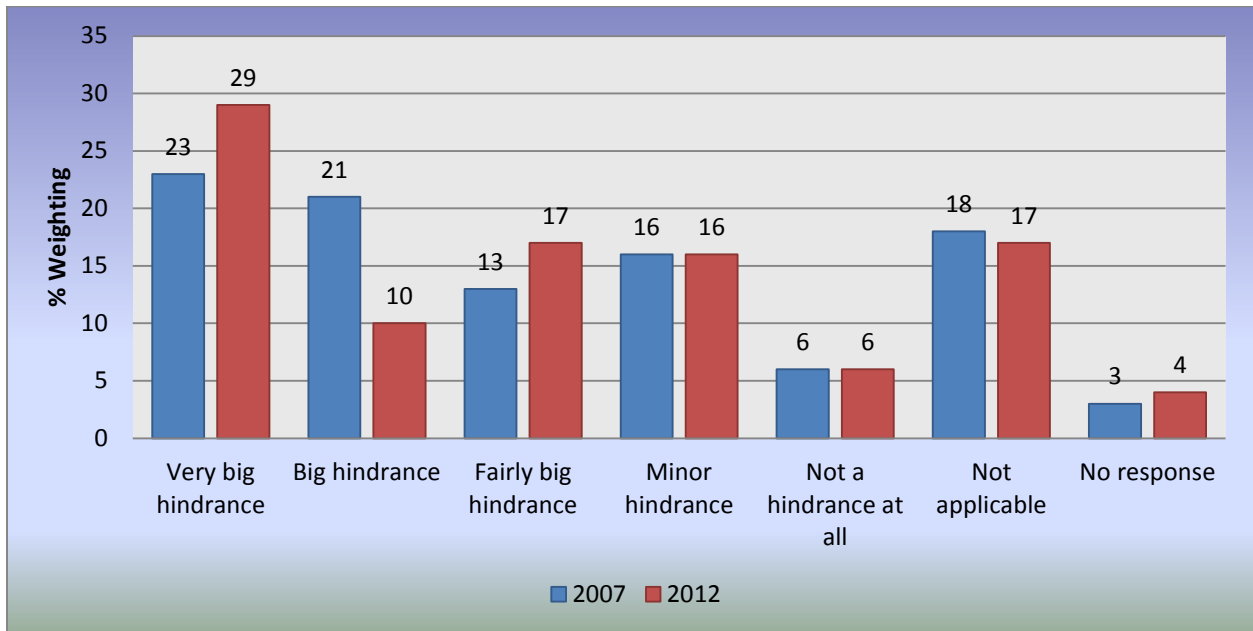


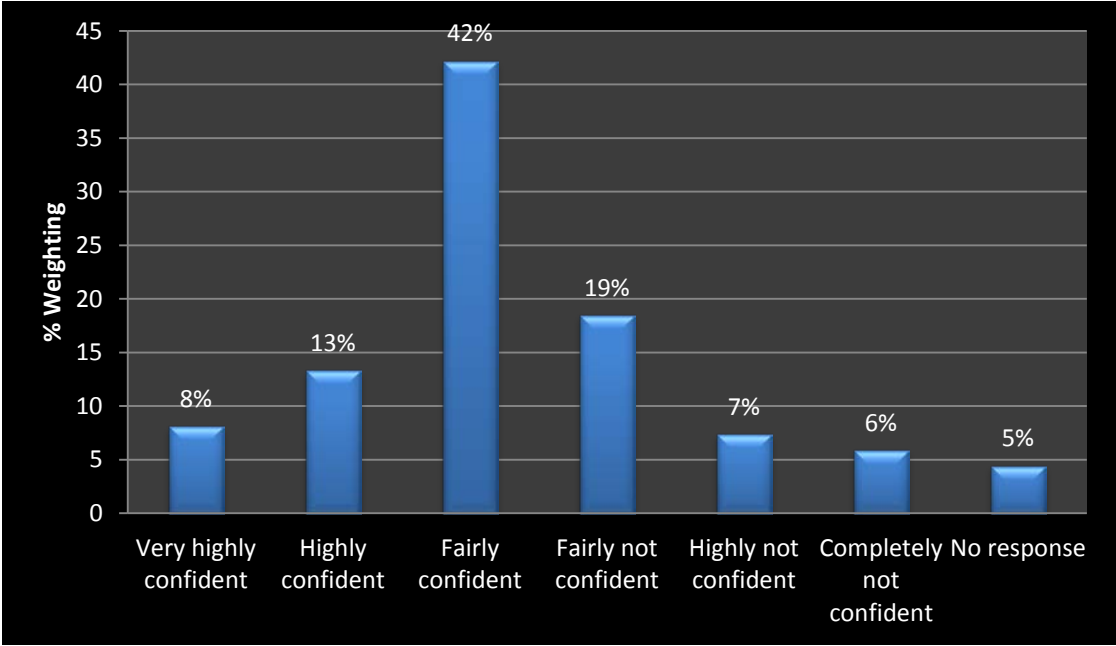
Figure 36b: Access to Land as Hindrance to Investment



Confidence in the Institutions Protecting Shareholders’ Interest and Enforcing Principles of Corporate Governance

This question asks businesses to indicate their level of confidence in the Registrars of Companies & Business Groups and the Securities Commission on their work of protecting interests of shareholders and enforcing principles of corporate governance. As depicted in Figure 37, 63% indicated that they are ‘fairly’ to ‘very highly confident’, comprising 42% of the respondents stating that they are ‘fairly confident’ in the institutions regulating and protecting their business interests and about 21% showing that they are either ‘very highly confident’ or ‘highly confident’. 19% responded that they are ‘fairly not confident’ in the institutions protecting and regulating their business interest and applying the principles of corporate governance and 13% indicating that they are either ‘highly not confident’ or ‘completely not confident’ in these institutions The remaining 5% did not respond to the question. (There was no such question in the 2007 survey).

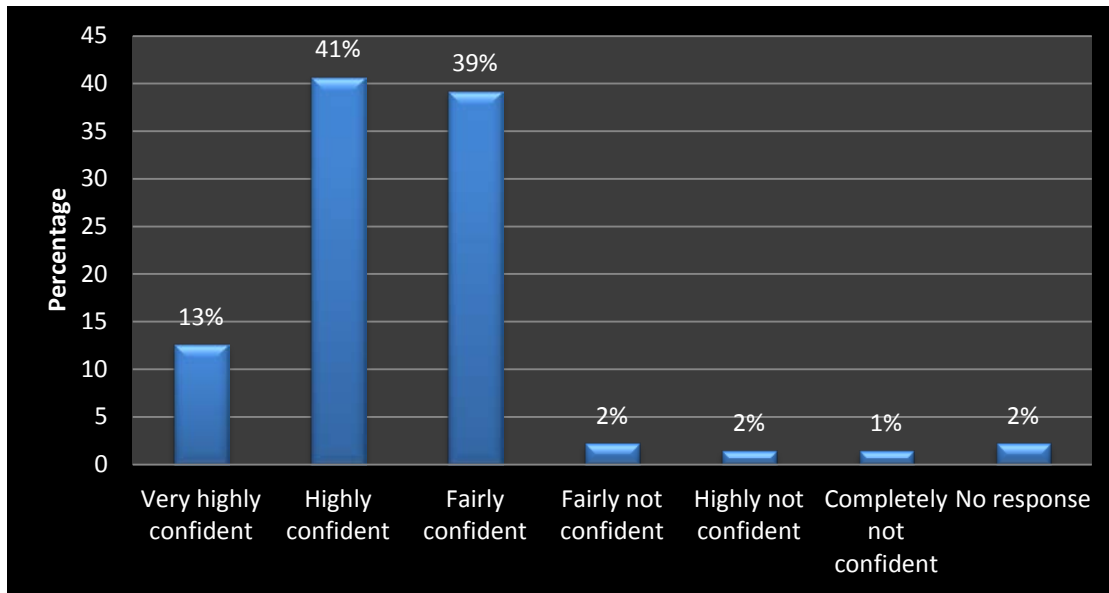
Figure 37: Level of Confidence in Institutions Protecting Business Interests and Enforcing Principles of Corporate Governance



Confidence in the Banks and Financial Institutions

This question asked businesses to indicate their level of confidence in the banks and financial institutions. 41% responded that they are ‘highly confident’ in the banks and financial institutions. The other 39% indicate that they are ‘fairly confident’, whilst 13% responded that they are ‘very highly confident’. Only 2% did not respond to the question. The remaining 5% are either ‘fairly not confident’, ‘highly not confident’ or ‘completely not confident’ in the banks and financial institution, as illustrated in Figure 38 below.

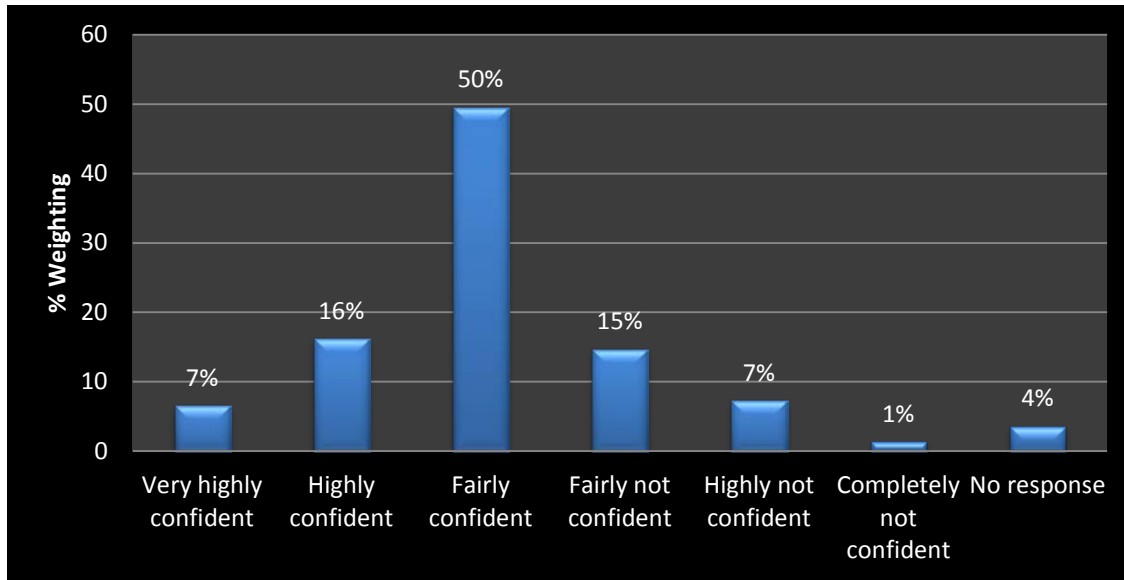
Figure 38: Confidence in the Banks and Financial Institutions



Confidence in Statutory Bodies and Professional Organizations

This question asked to gauge the level of confidence the private sector have in statutory and professional organizations, like the PNG Law Society, CPA, Institute of PNG Engineers etc. 73% indicated a generally positive perception of confidence in these professional bodies, with about 50% of the respondents indicating that they are ‘fairly confident’, 16% that they are ‘highly confident’, and 7% that they are ‘very highly confident’. About 15% suggested that they are ‘fairly not confident’ and 7% ‘very unconfident’, whilst 4% did not respond to this question, (Figure 39).

Figure 39: Level of Confidence in Statutory Bodies and Professional Organizations



Part 4: Government Business Relationship

In Part 4 of the survey, questions were asked aimed at identifying the nature of the relationship between the private sector and the government.

Business Awareness of Public/Private Sector Consultations in Developing Government Policies and Law Reform related to Developing the Private Sector

This question was asked to find out if the businesses were aware of the consultations between the public and private sector during public policy development and law reform preparation on issues pertinent to the private sector. Figure 40 shows that around 51% of the businesses are unaware of public/private consultations related to policy development and law reform. 46% of responding businesses indicated that they are aware of such consultations. The remaining 3% did not respond to the question.

Those businesses that answered in the affirmative, i.e. that they are aware of public/private consultations, were further asked to indicate the frequency of updates on these consultations, for example from business organisations of which they might be a member. Of the 46% that were aware of the consultations, 24% said that they were ‘frequently’ updated on the consultations’ outcome, 32% indicated that they are either ‘mostly’ or ‘always’ updated on the outcome of these public/private consultations, 18% that they ‘sometimes’ updated, and the remaining 26% of respondents indicated that they were either ‘seldom’ or ‘never’ made known of any outcomes of consultations with the public and private sector. Graphical illustrations of the responses are on Figure 41.

Figure 40: Business Awareness of Public/Private Sector Consultations in Developing Government Policies and Law Reform related to Developing the Private Sector

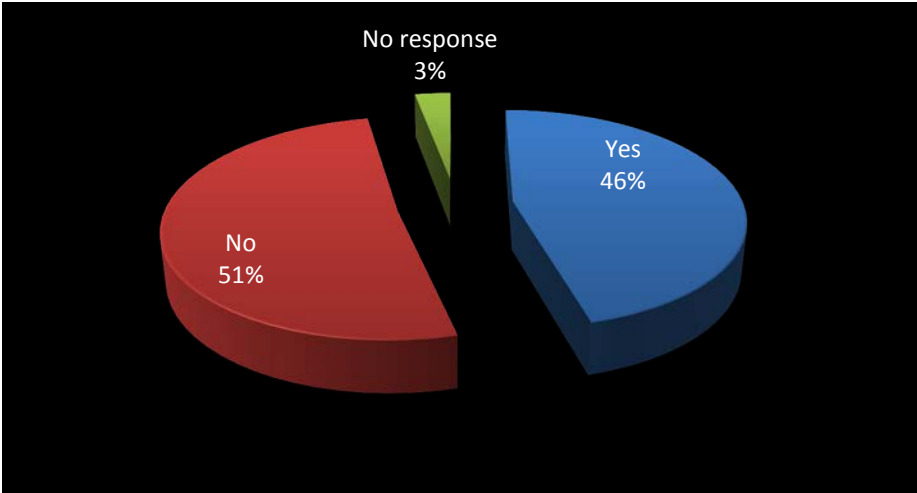
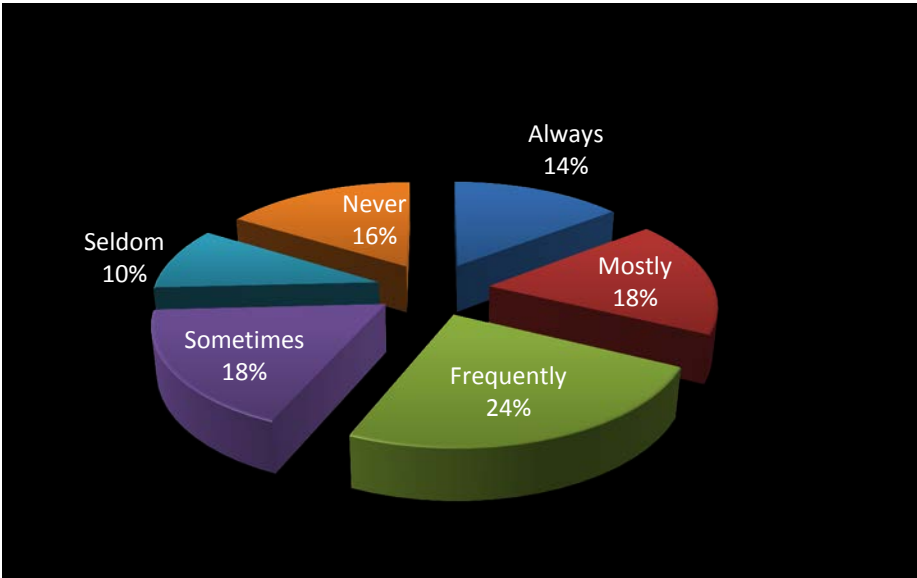


Figure 41: Question on Whether Businesses have been Updated on the Outcome of the Consultations.



Government Regulations and the Perception of Business

This question requested businesses to indicate on a 6-point scale their opinion on certain selected areas in which government controls are a problem and/or hindrance to businesses operations and investment. The rankings are shown in Figure 42. Based on average scores generated from the aggregated data, government regulations and control over visa and issue of work permits are considered the most problematic area for businesses with the ratings of 2.9 and 2.8 respectively. The other areas where government controls are seen as substantially

problematic to the private sector, are labour regulations (2.1), foreign currency regulations (2.1), government leases (2.0), regulations on borrowing (2.0) and physical planning/zoning regulations (2.0). The least problematic area identified from the survey is over issues dealing with superannuation regulations, with a ranking of 1.3. In relation to the responses from 2007 (Figure 42b), there appears to be no perceived improvement with respect to work permits and visas, despite extensive consultations and commitments to reform over many years. Over most other issues of concern, there appears to be a modest and, in a few cases, significant improvement in perception over bureaucratic impediments, notably over superannuation and health regulations, price controls and regulations over borrowing, (recognising that the sampled respondents overlap, but are not entirely the same)

Figure 42a: Governments Control as a Problem/Hindrance to Business by a 6-point Scale

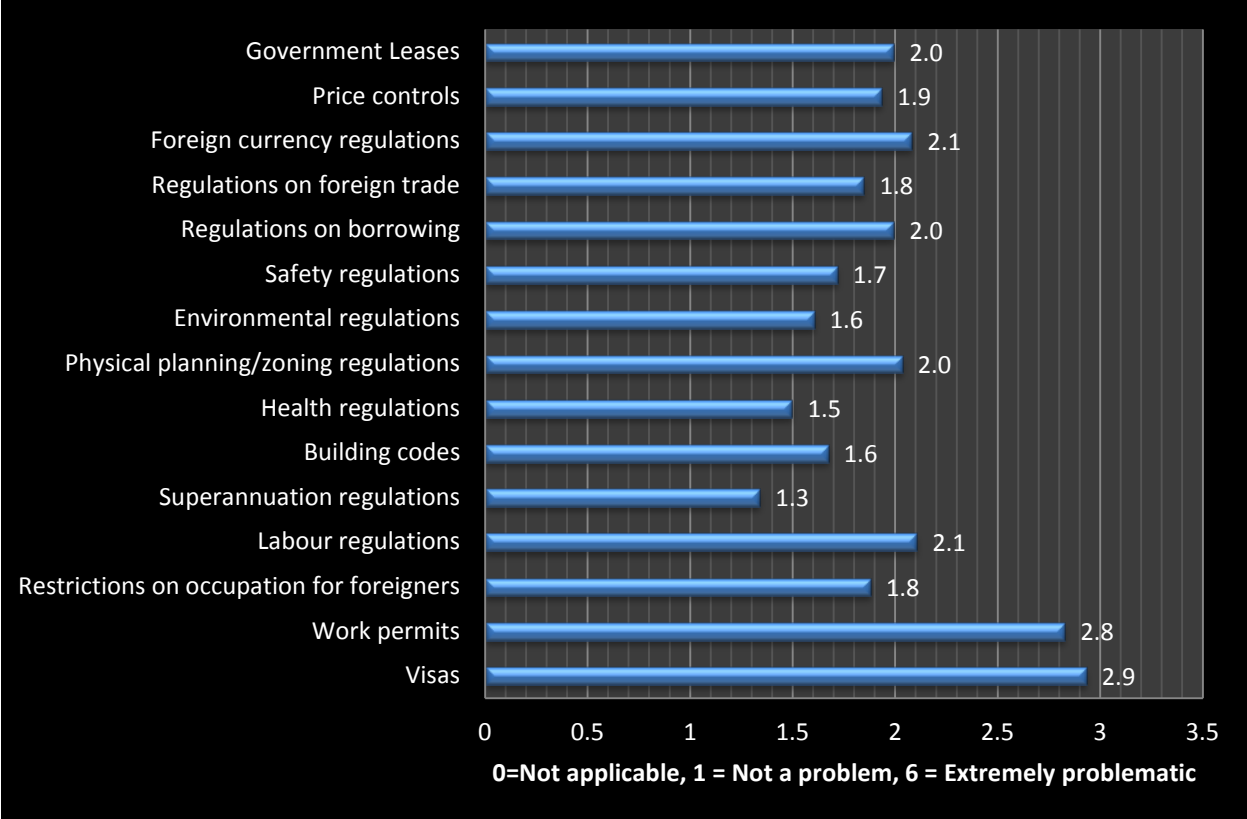
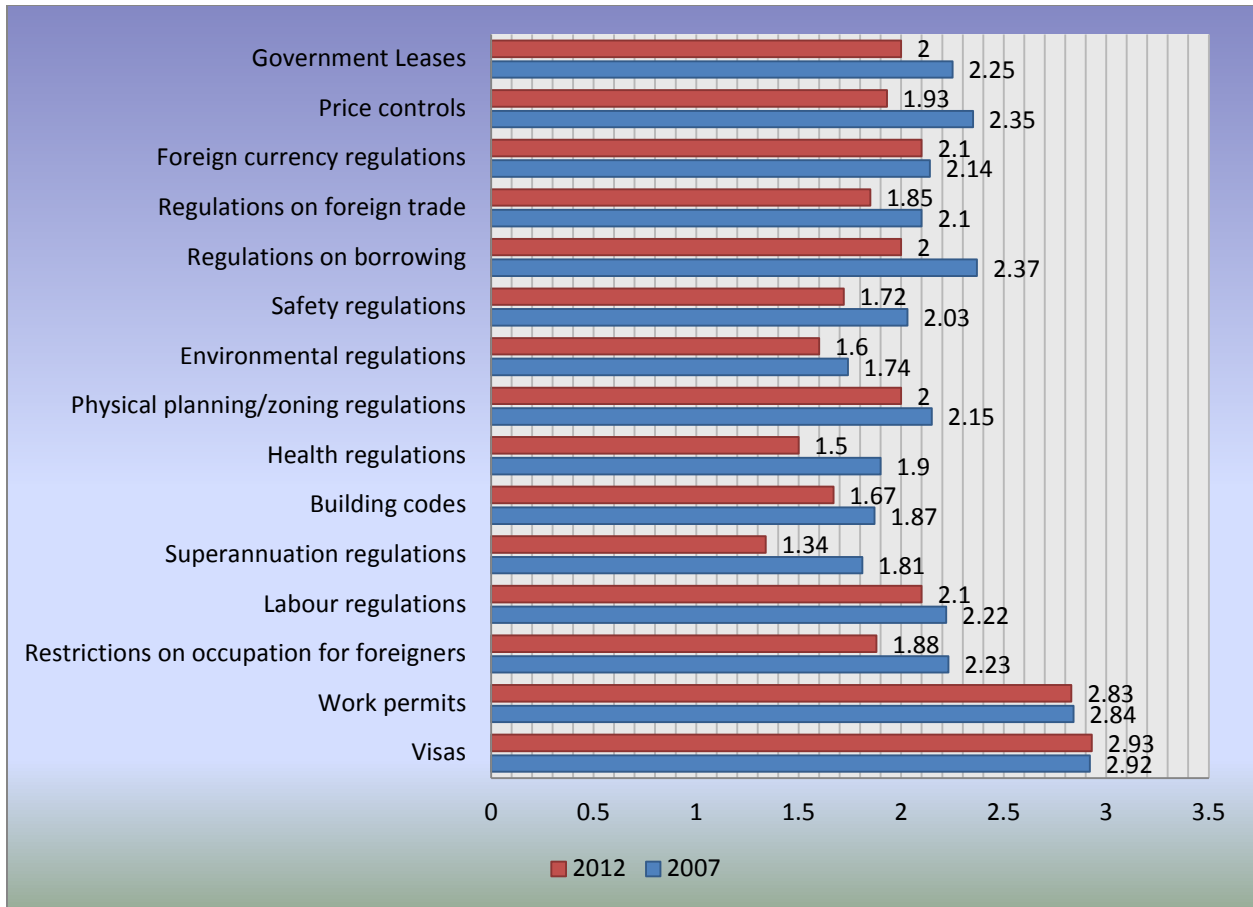


Figure 42b: Governments Control as a Problem/Hindrance to Business by a 6-point Scale



Overall Perception of the Government – Business Relationship

This question aims to find out the perception of the overall working relationship between businesses and government. 69% categorised the relationship as generally unhelpful, with 30% of respondents indicating that government is ‘fairly unhelpful’ (figure 4) and around 39% viewing government as ‘highly unhelpful’ or ‘completely unhelpful’ to the private sector. Only 6% indicated that the government is either ‘very helpful’ or ‘highly helpful’, with 15% suggesting that it is ‘fairly helpful’. There is little variation from 2007 until 2012, except there seems to be a slight reduction in the portion of businesses finding government ‘fairly helpful’.

(Steven, this is only 90% of respondents in 2012..did 10% not respond?)

Figure 43a: Perception of Overall Relationship between Government and Private Firms

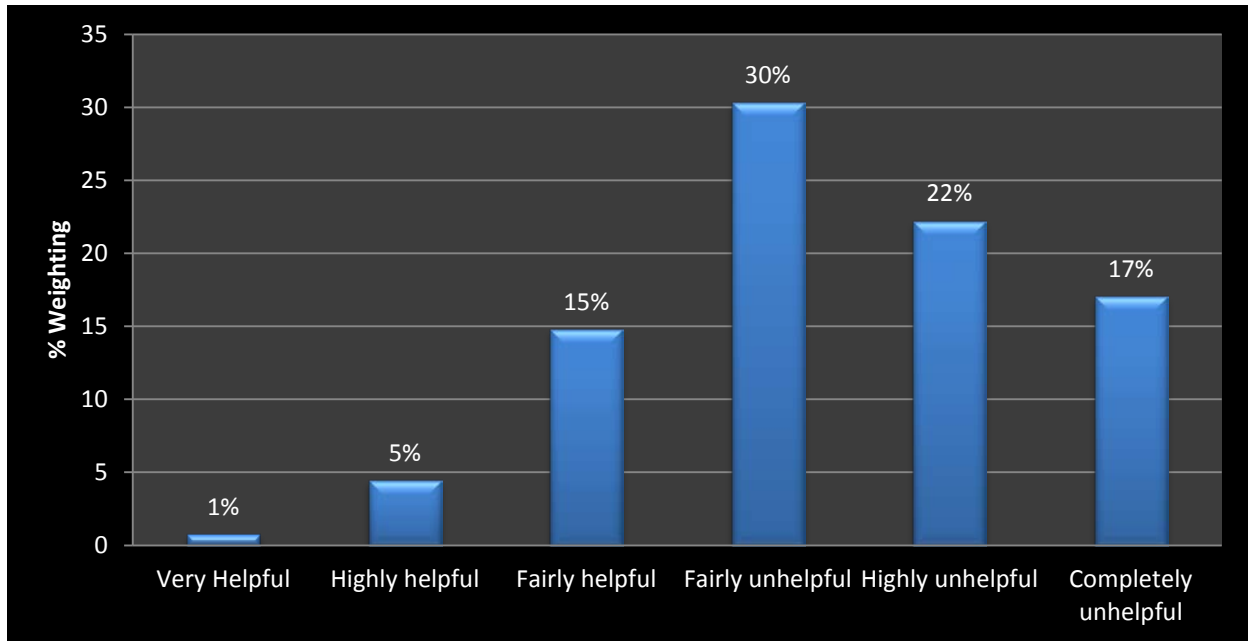
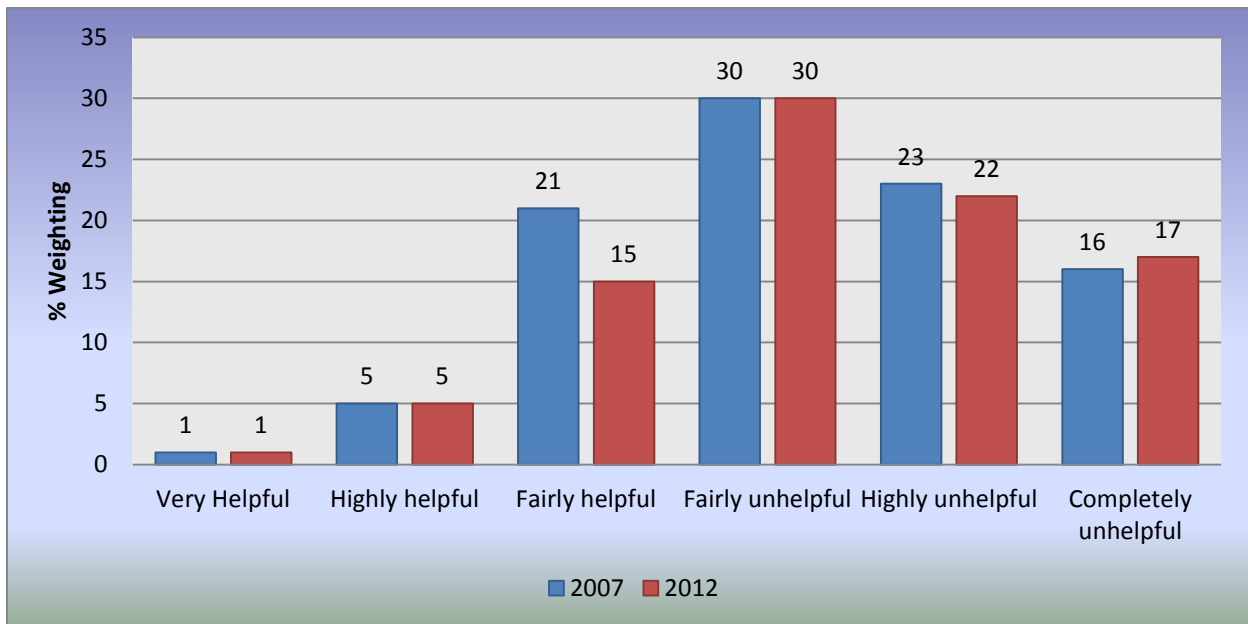


Figure 43b: Perception of Overall Relationship between Government and Private Firms



Extent of Corruption and Impact on Business

This question seeks to assess the extent of corruption on businesses when dealing with government. 28% of the respondents indicated that they are ‘highly’ or ‘very highly affected’ by official corruption, whilst another 28% of respondents said that they are ‘fairly affected’. Only 18% suggested that they are either ‘highly unaffected’ or ‘completely unaffected’, with 4% of

businesses not responding to the question (Figure 44a). Comparing responses with those from 2007 suggests that the portion of businesses which feel that they are affected, and especially high affected by corruption has fallen, and those claiming to be unaffected has risen. This would suggest a positive trend, although some cautions must be retained, notably on the basis of the somewhat different sample of business responding between the two years, and the possibility that respondents in 2012 came from a slightly different composition of industries, which might have been less subject to corrupt practices, perhaps having less need to interact with government institutions, for example over land, passports or other documentation.

Figure 44a: The Extent of Corruption in Dealing with Government as Being Detrimental to Business

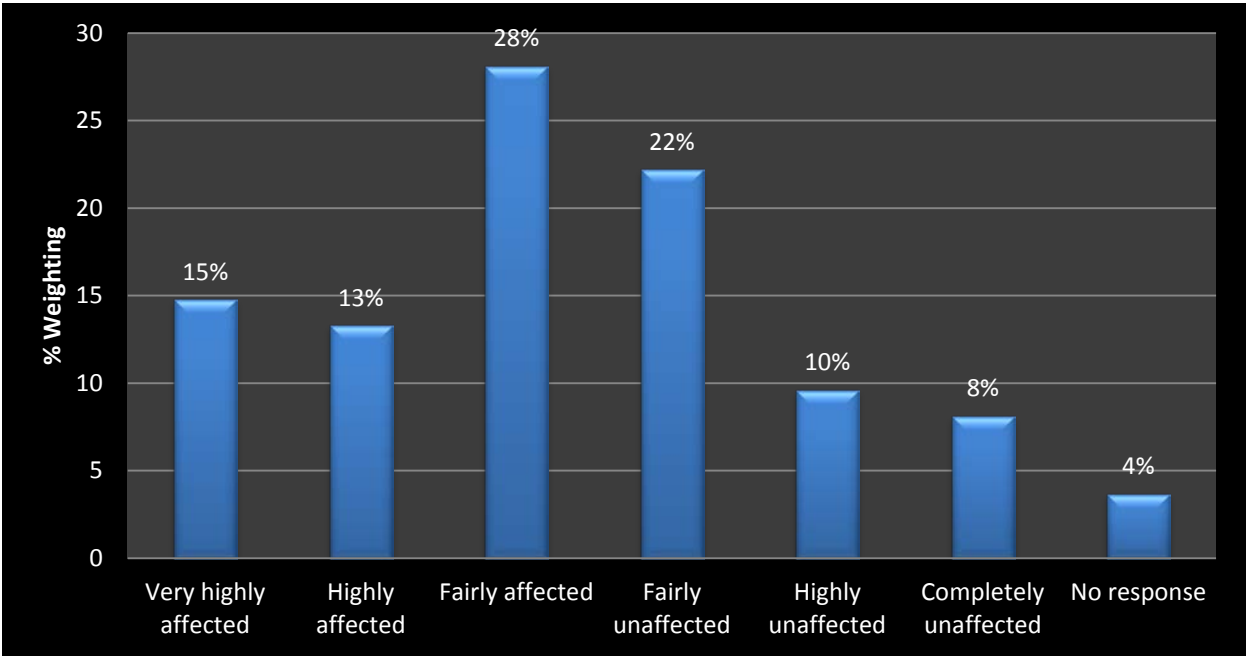
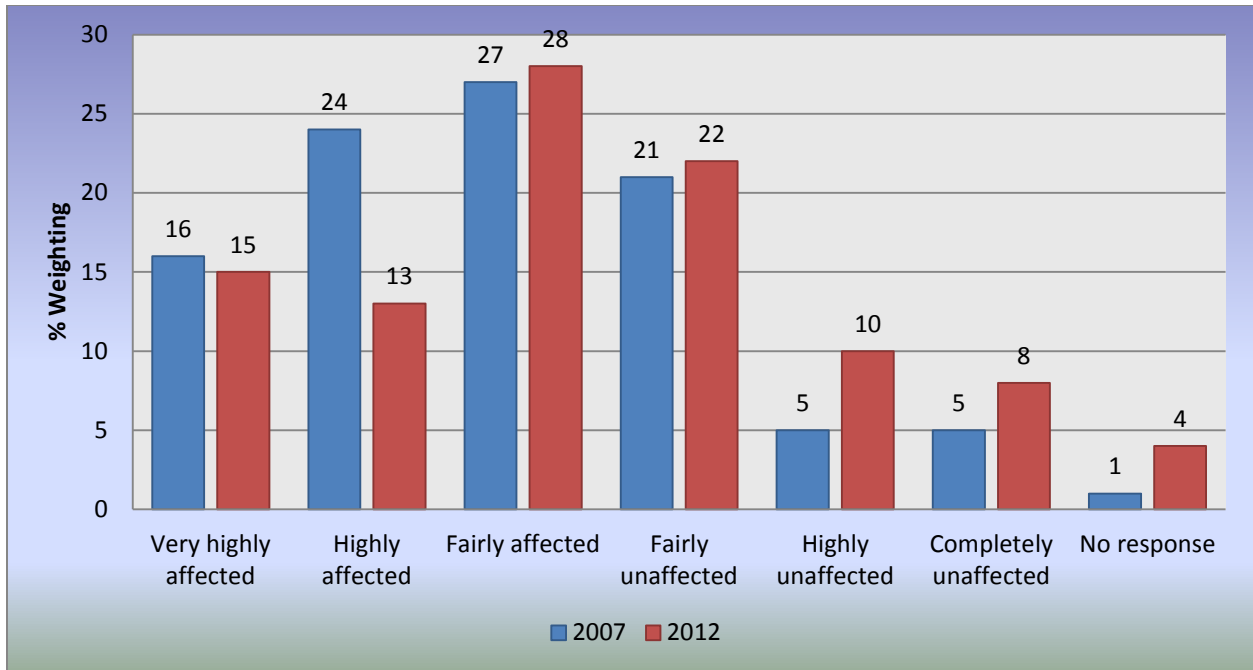


Figure 44b: The Extent of Corruption in Dealing with Government as Being Detrimental to Business



Frequency of Irregular Payments to Officials

This question requests respondents to indicate whether it is normal for firms in ‘my line of business’ to make ‘irregular additional payments’ to government officers to get things done. According to the responses, around 30% indicated that this practice ‘always’ occurs or occurs ‘most’ of the time, 13% suggested that it occurs ‘frequently’, whilst 21% indicated that such practice occurs ‘sometimes’. The other 32% indicated that such practice ‘seldom’ or ‘never’ occurs in firms in their business. The remaining 4% did not respond to the question (Figure 45).

Figure 45a: Extent of ‘Irregular Additional Payments’ to Government Officials for Services Rendered

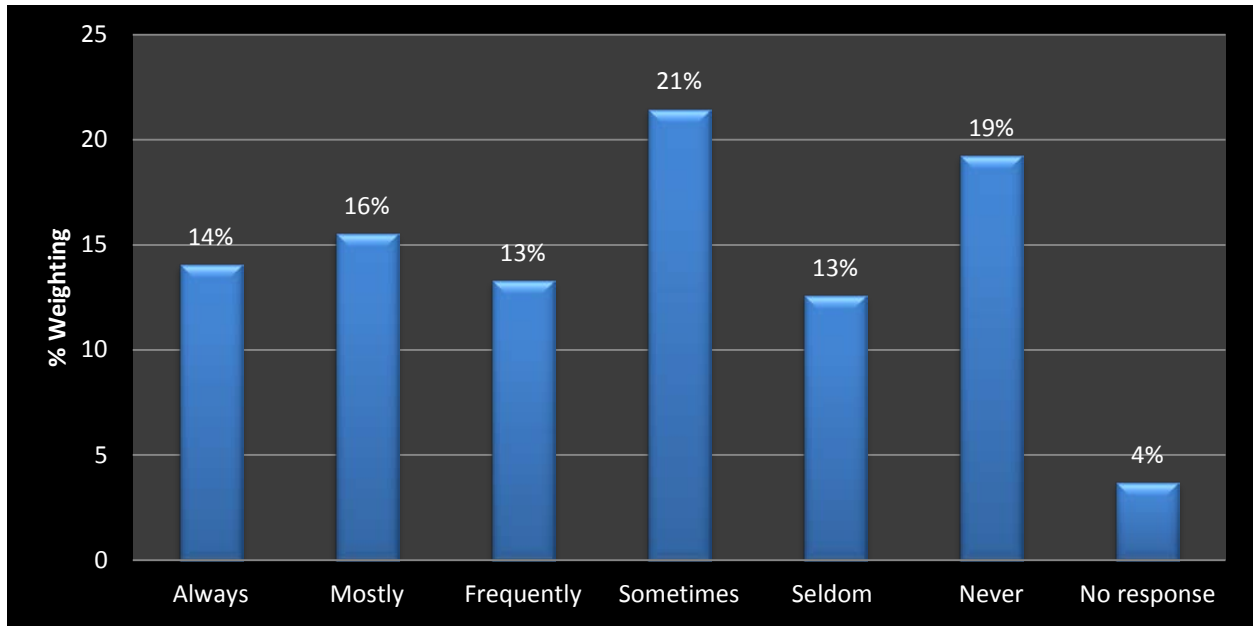
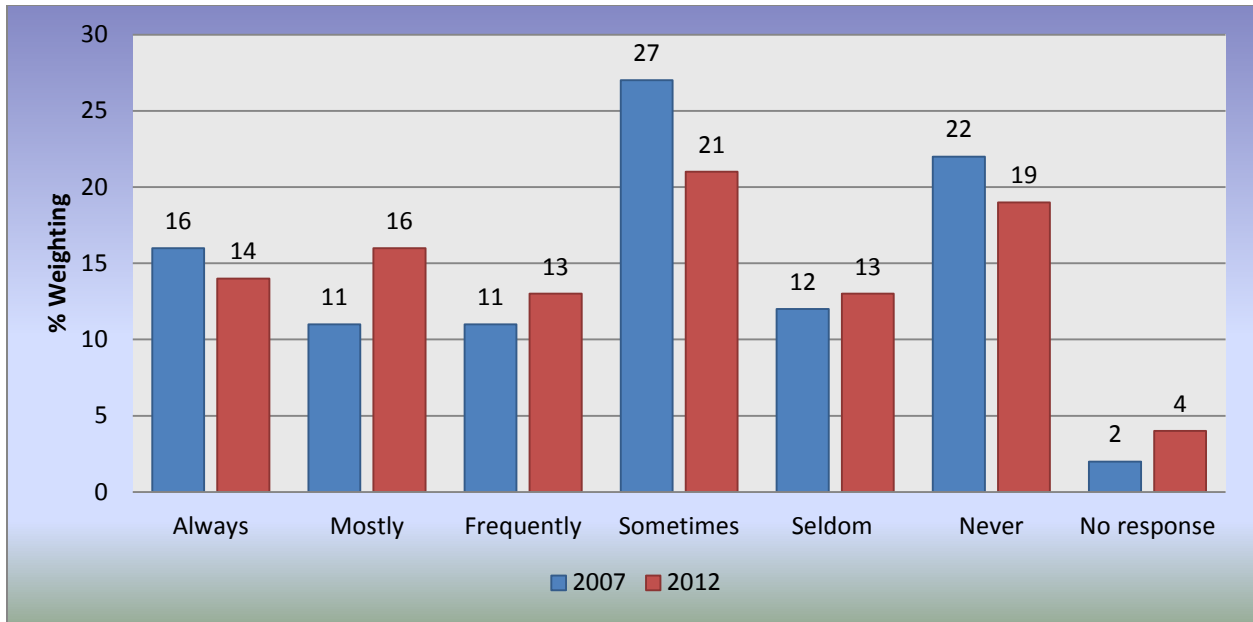


Figure 45b: Extent of 'Irregular Additional Payments' to Government Officials for Services Rendered



The Impact of Irregular Additional Payments

This question seeks to find out whether irregular additional payments made by private firms to government officials results in services requested by the firms being delivered without requests for additional payments. Results illustrated in Figure 46 show that 43% of the respondents felt that irregular additional payments are effective frequently or at least most of the time, including 11% who indicated they felt it always works; 28% of the businesses indicated that ‘sometimes’ their requests obtain positive results, whilst 11% suggested that such practices either ‘seldom’ or ‘never’ result in any outcomes requested by them, at least without further demands being made., The remaining 18% did not respond to the question for reasons of their preference, (e.g. perhaps because they don’t participate in this practice, are unaware of the application and its outcomes or would prefer to remain discreet on this sensitive subject). Comparison with 2007 suggest that there is a perception that ‘irregular additional payments’ are considered more reliable in 2012, (which may suggest various factors related to application of this practise and/or the level reliability of officials once inducements are made. Interestingly there was a significantly higher response rate to this question in 2012 to 2007.)

Figure 46a: Extent to Which Irregular Additional Payments Lead to 'Positive' Outcomes

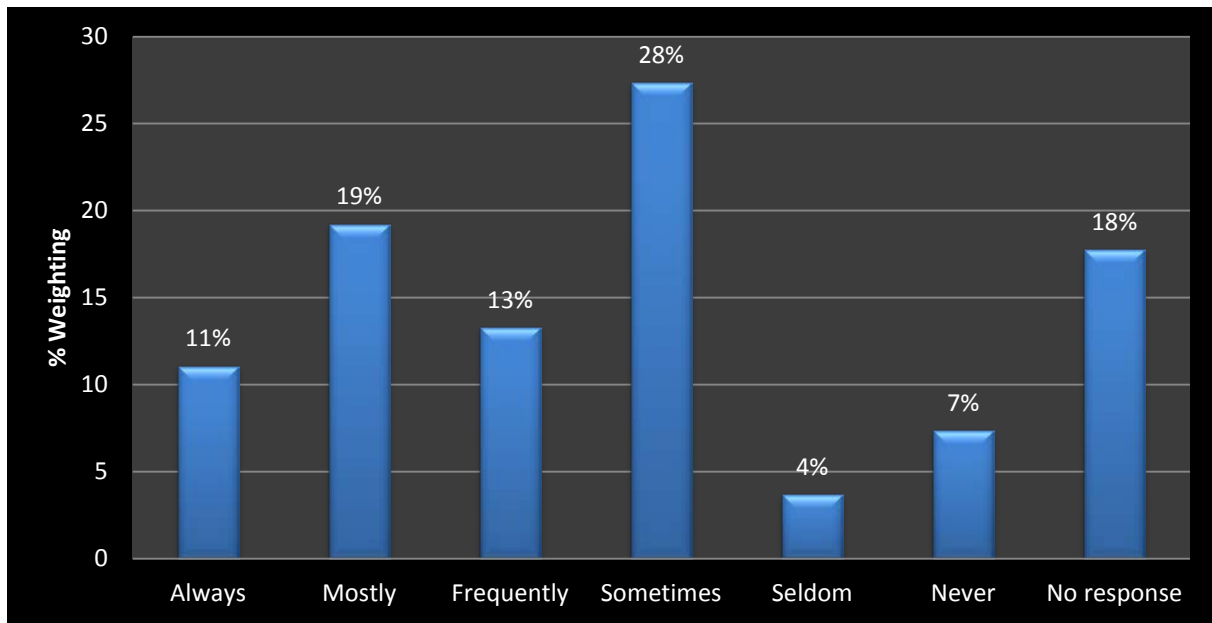
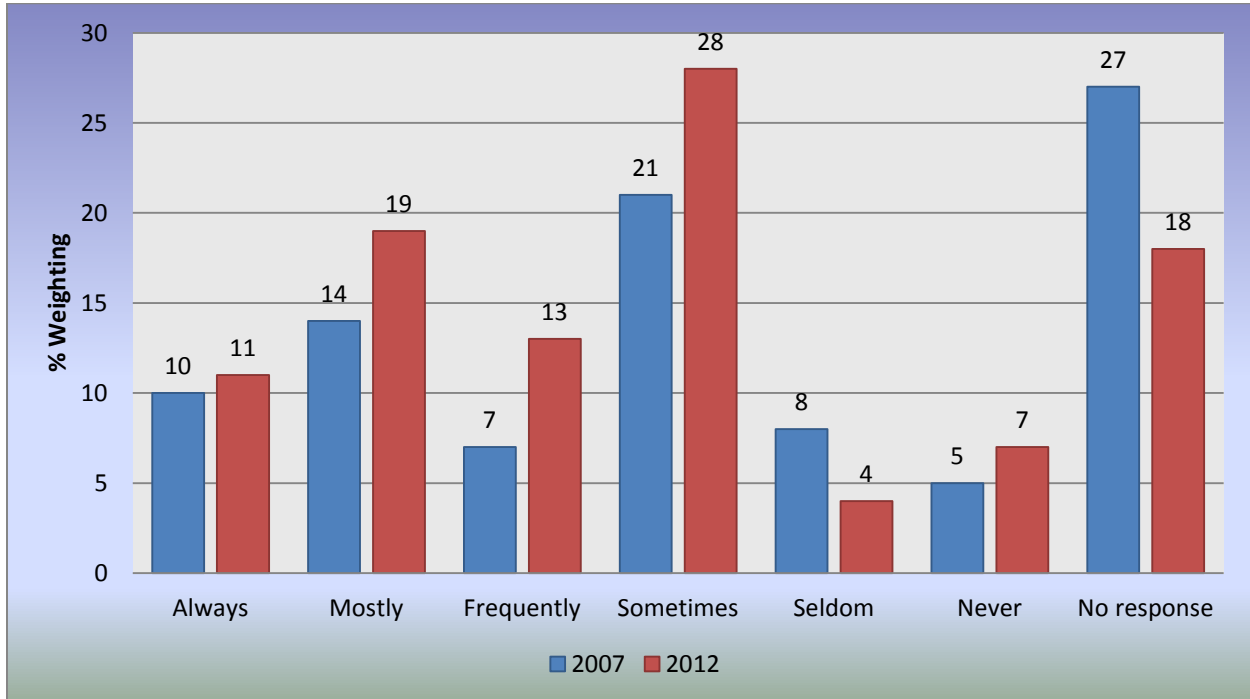


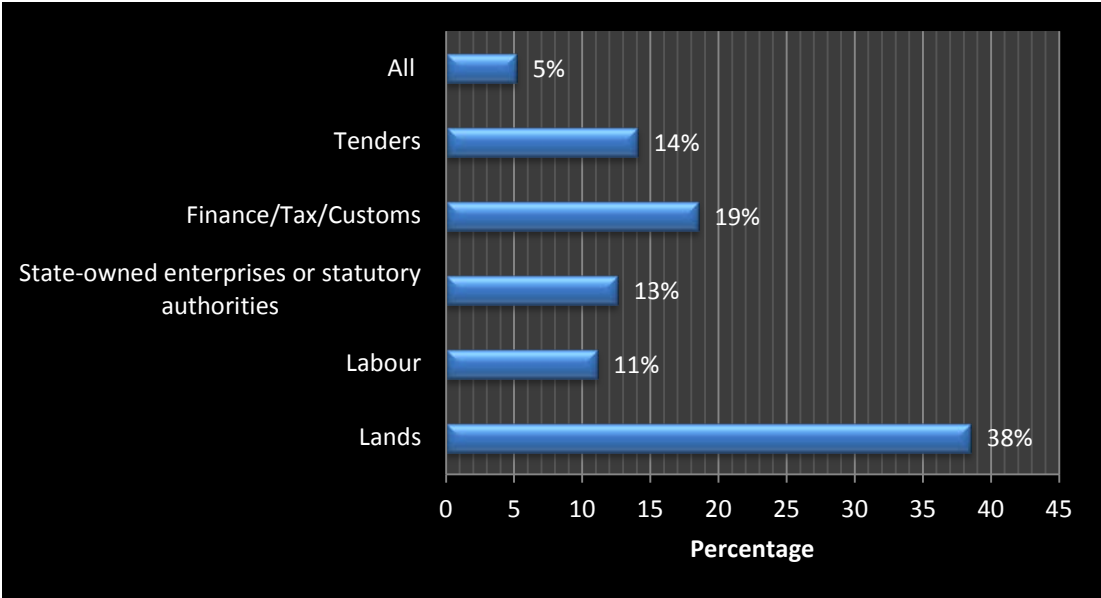
Figure 46b: Extent to Which Irregular Additional Payments Lead to 'Positive' Outcomes



Private Sector View on Government Fields/Institutions where Corruption Affects Business and Investment Plans

Businesses were asked this question to identify areas and/or institutions in government where apparent corruption significantly affects businesses and their investment plans. 38% of the respondents indicated that perceived corruption related to ‘land’ issues has greatly affected their business and investment plans. Around 19% suggested that apparent corruption in the ‘finance/tax/customs’ institutions has greatly affected their businesses. 14% of the respondents indicated that corruption in the ‘tender process’ has seriously affected their business and investment plans. The other 13% indicated that seemingly corrupt practices in the ‘state-owned enterprises/statutory authorities’ has significantly affected businesses operations and investment plans. 11% suggested that apparent corruption involved with ‘labour’ issues has affected their business and the remaining 5% indicated that seeming corruption in all the fields/institutions mentioned detrimentally affected their business and investment plans significantly (Figure 47).

Figure 47: Fields and/or Institutions in Government where Corruption affects Business and Investment Plans significantly



Seeking Recourse from Corrupt Practices

This question asks business whether they seek assistance from other government officials, including from their superiors, to resolve issues when they encounter problems dealing with apparently corrupt officials. 21% indicated that they frequently to always seek such recourse in circumstances when dealing with corrupt government officials. whilst 19% felt that they were ‘sometimes’ able to seek recourse. 33% of the respondents stated that they were ‘seldom’ or

'never' able to seek recourse, 16% indicated that they didn't know whether they'd seek recourse and 11% did not respond to the question, (Figure 48). In 2012 respondents seem somewhat less inclined to attempt to bypass, or go over the head of, apparently corrupt officials, with more suggesting that they would never follow this route, perhaps perceiving that it would not help resolve the contentious issue.

Figure 48a: Extent to which Recourse can be sought when dealing with Corrupt Government Officials

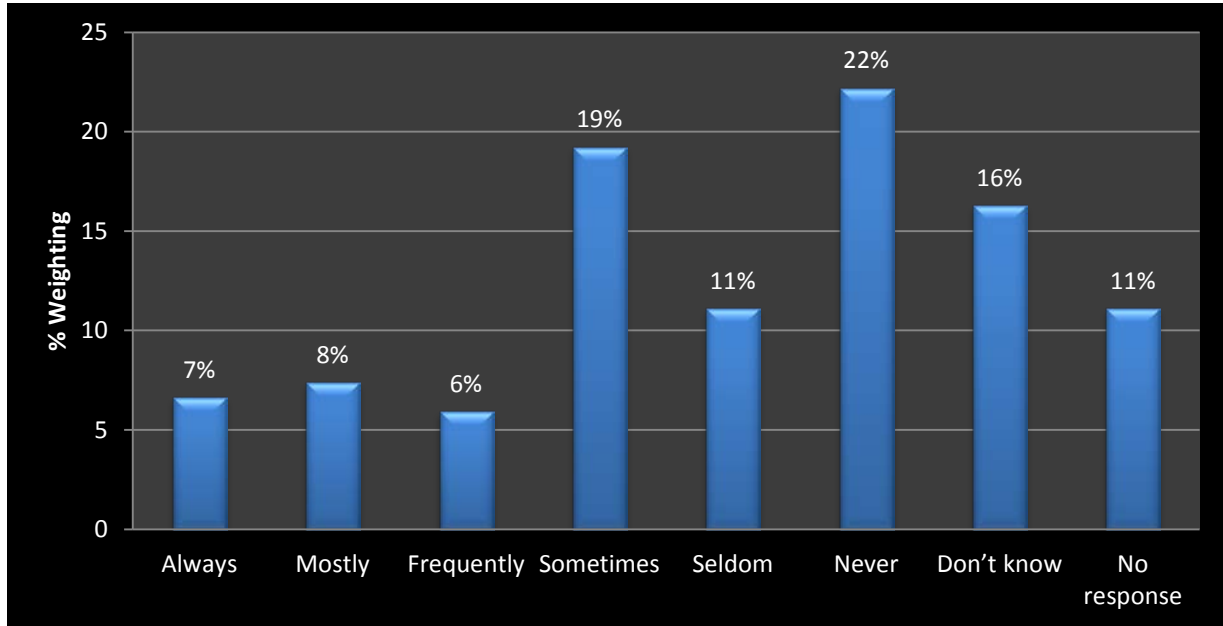
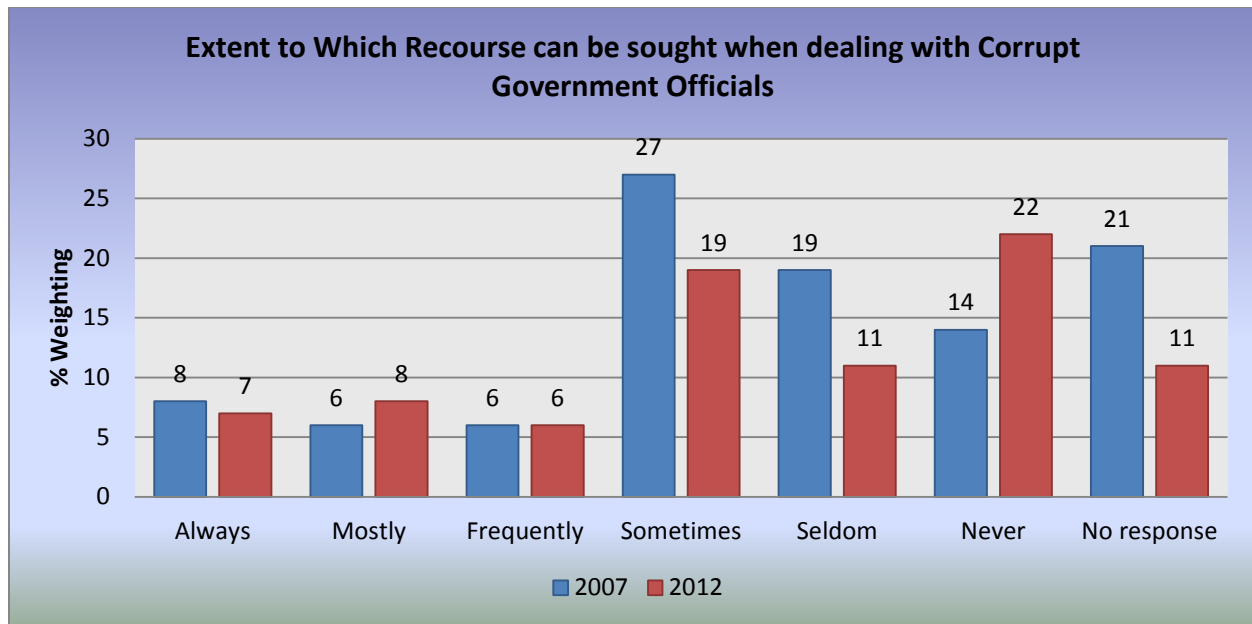


Figure 48b: Extent to which Recourse can be sought when dealing with Corrupt Government Officials



Part 5: Effectiveness of Government Services Provision

In Part 5 of the survey, questions were asked to ascertain the private sectors’ view on the efficiency, effectiveness and quality of services provided (largely) by government.

Private Sector Perception on the Efficiency, Effectiveness and Quality of Government Services Provision

The question seeks to assess the quality, efficiency and effectiveness of important services provided largely (but not always exclusively) by government. On a 6-point scale, with 1 being very good and 6 being very poor, the respondents ranked ‘road and bridge infrastructure’ services the poorest, followed by ‘law enforcement services’ and ‘electricity services’, followed closely by telecommunications and port services, (Figure 49). The overall ranking placed ‘financial and banking services’ as the best in providing quality, efficient and effective services (albeit that this is largely a private sector delivered service, merely regulated by the State). The perceptions in 2012 are similar to those recorded in 2007, except that telecommunications are deemed to have improved somewhat, presumably as a result of the arrival of some level of competition, initially in mobile telephony, and financial services are considered to have improved, perhaps in turn resulting partly from improved telecommunications and the roll out of some news services and greater competition in segments of the industry.

Figure 49a: Overall Perception of the Efficiency, Effectiveness and Quality of selected Government Services

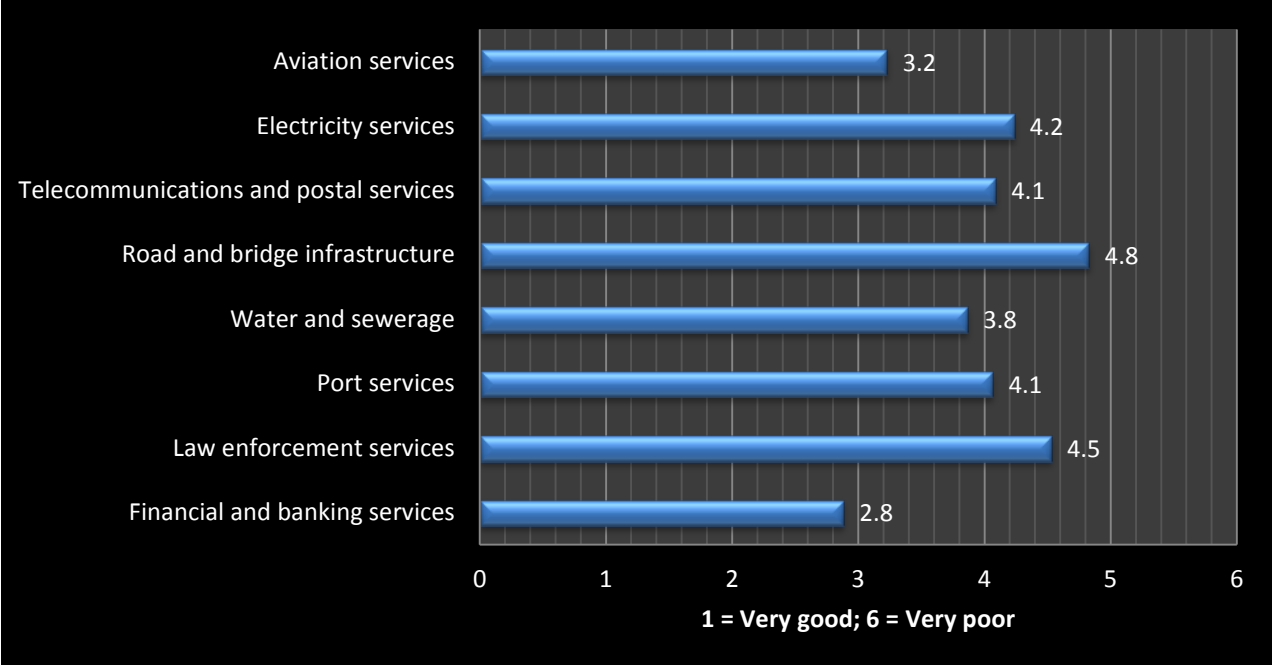
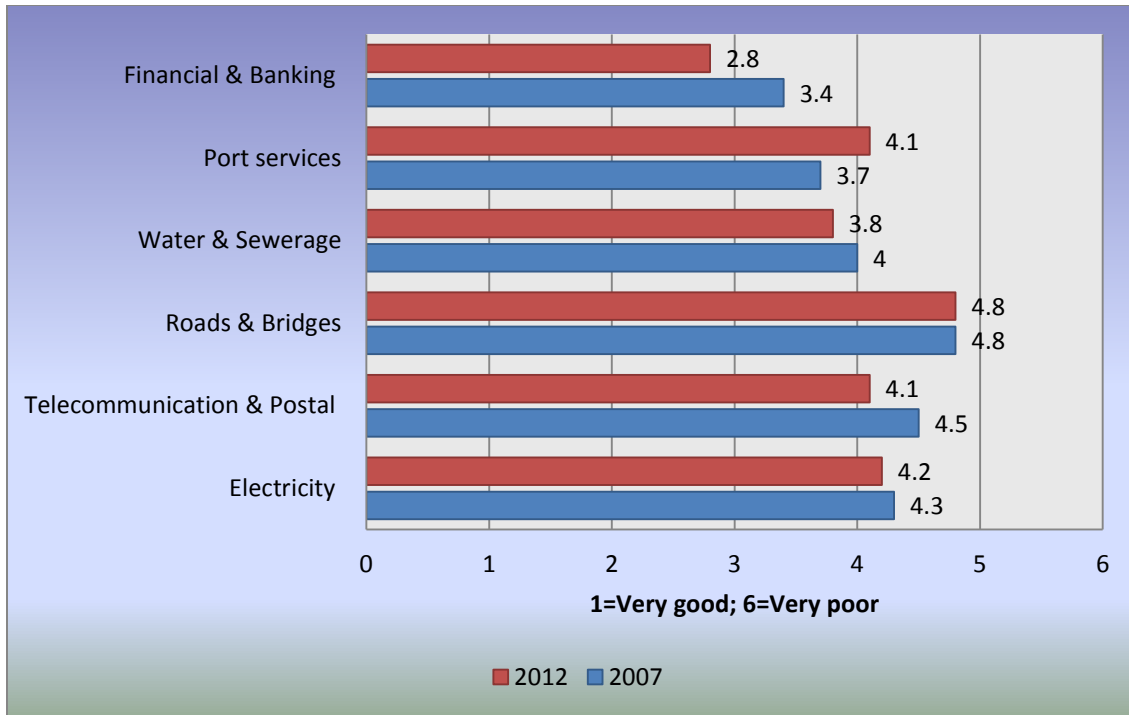


Figure 49b: Overall Perception of the Efficiency, Effectiveness and Quality of selected Government Services



Overall Rating of Government Services

Businesses were asked this question to provide an overall rating of the efficiency, effectiveness and quality of services provided by government as a whole. The majority of the respondents, 40%, rated overall government service provision as 'fairly poor'. 31% of the respondents rated the efficiency, effectiveness and quality of government service provision as either 'poor' or 'very poor'. Whilst 4% of the respondents did not answer this question, the remaining 25% indicated that government service provision is either 'high' or 'fairly high' (Figure 50a). The responses indicated a slight improvement in perception of government service delivery by participating businesses, with 82% having given a generally poor rating in 2007, down to 71% in 2012.

Figure 50a: General Rating of the Efficiency, Effectiveness and Quality of Government Services Provision

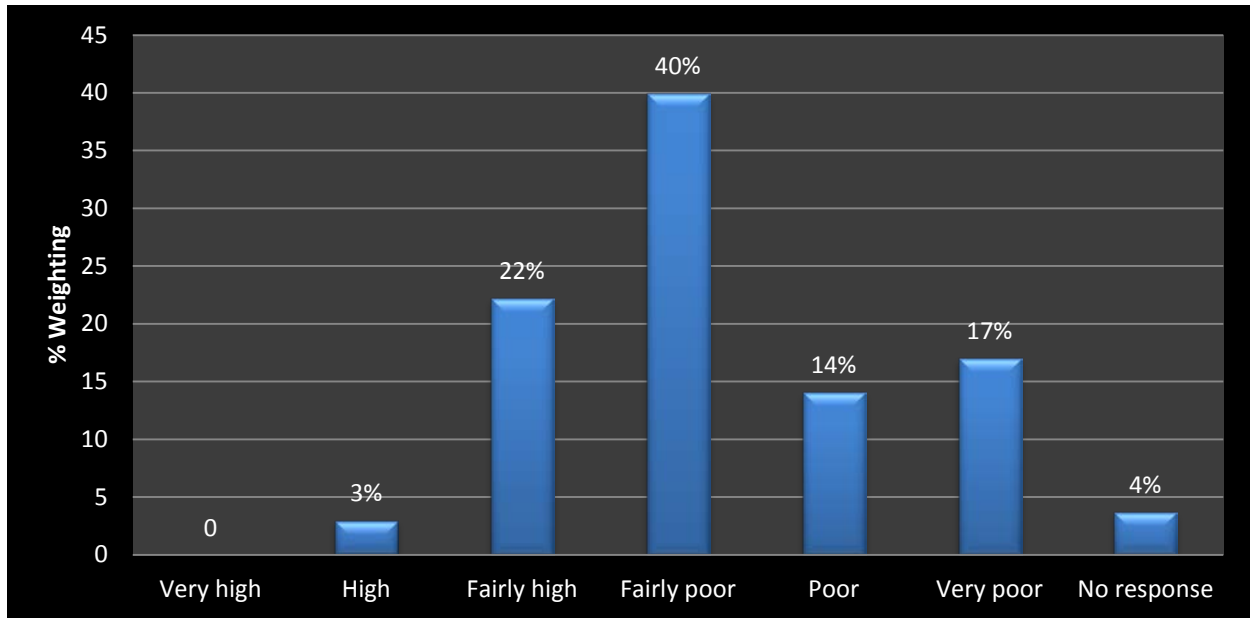
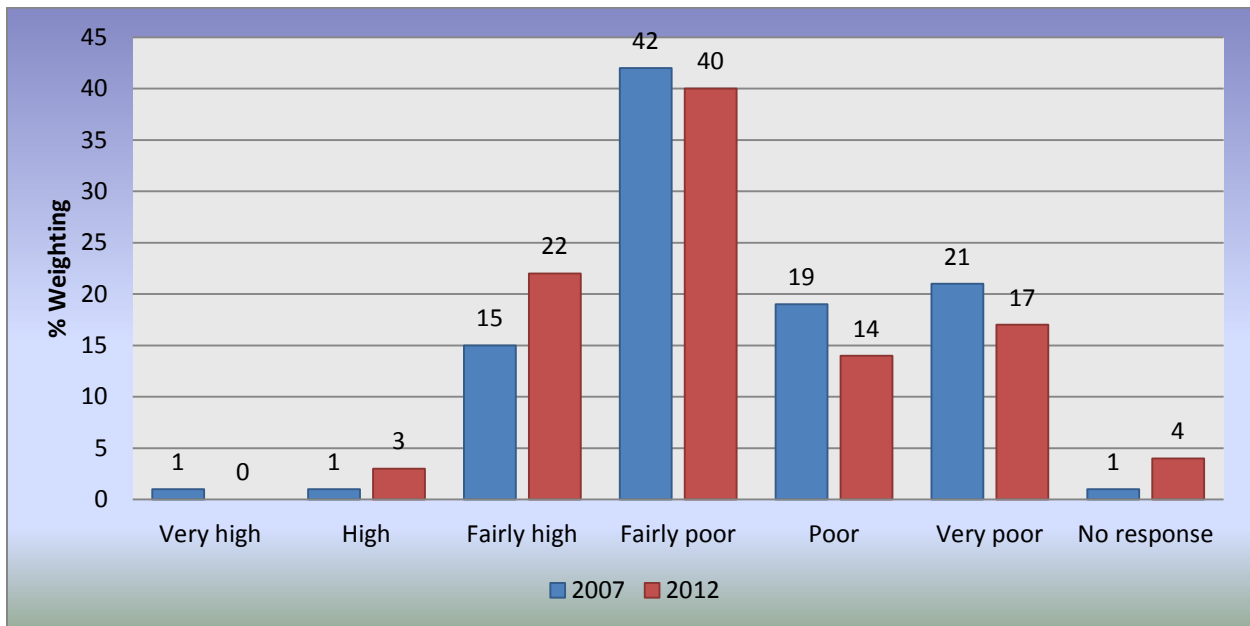


Figure 50b: General Rating of the Efficiency, Effectiveness and Quality of Government Services Provision



Improvement in the Quality of Government Services through Major Reforms

This question was asked to find out whether businesses think that quality of government services would improve as a result of major policy reforms. The results depicted in Figure 3

show 65% considering that major reform are a prerequisite for service improvement, with 36% of the respondents indicating 'agree', whilst 29% 'strongly agree' that with major policy reforms, quality of government services will improve. Around 22% of the respondents indicated that, whether major reforms are made or not, they expect the quality of government services to remain 'about the same' as now. 8% of the respondents said they 'disagree' or 'strongly disagree' with the view that any major reforms will lead to improvements in the quality of government services (Figure 51). The views in 2012 seems to be similar to those obtained during 2007.

Figure 51a: Business View of the Need for Major Reforms for Improvements of the Quality of Government Services

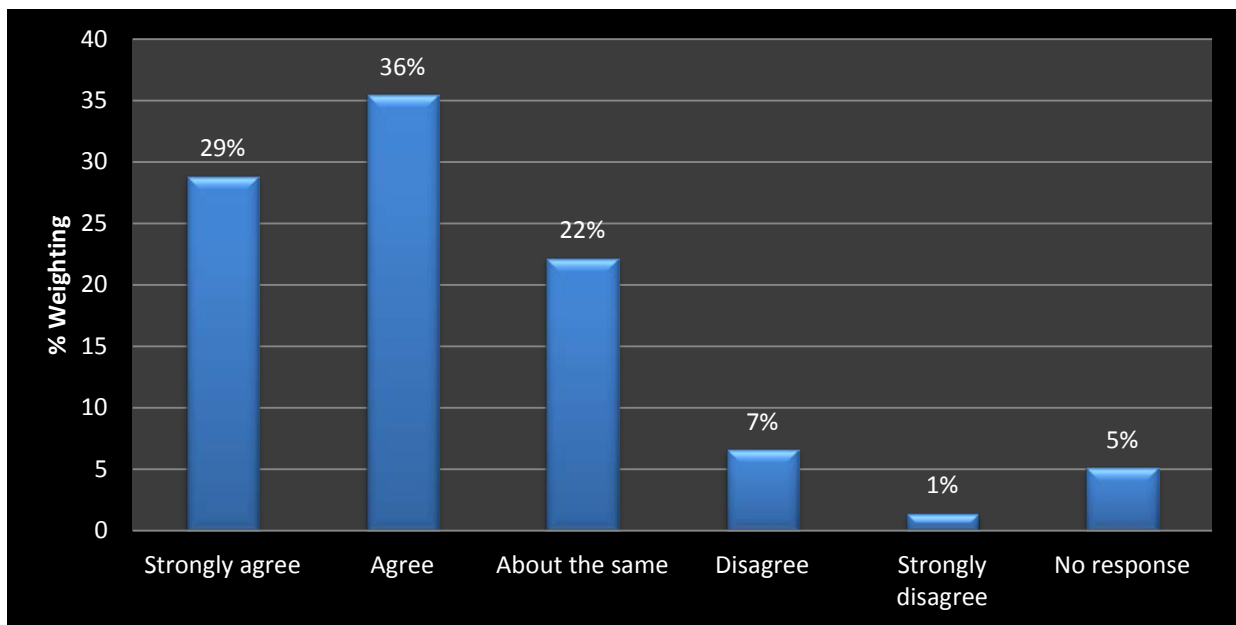
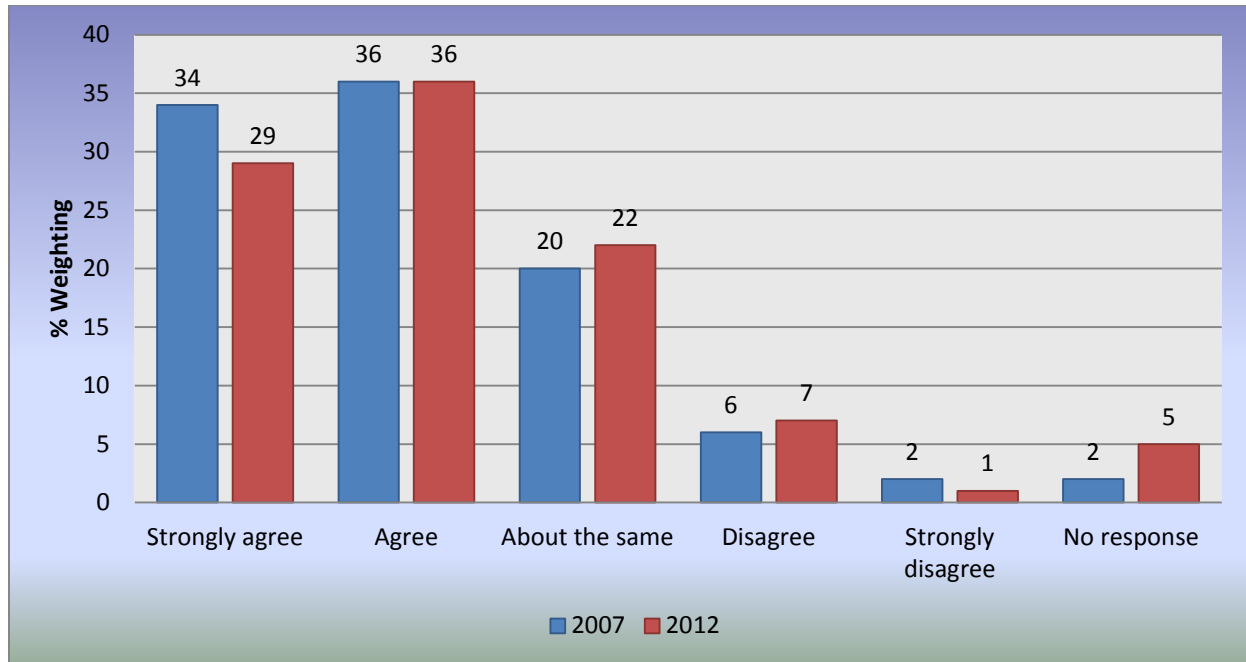


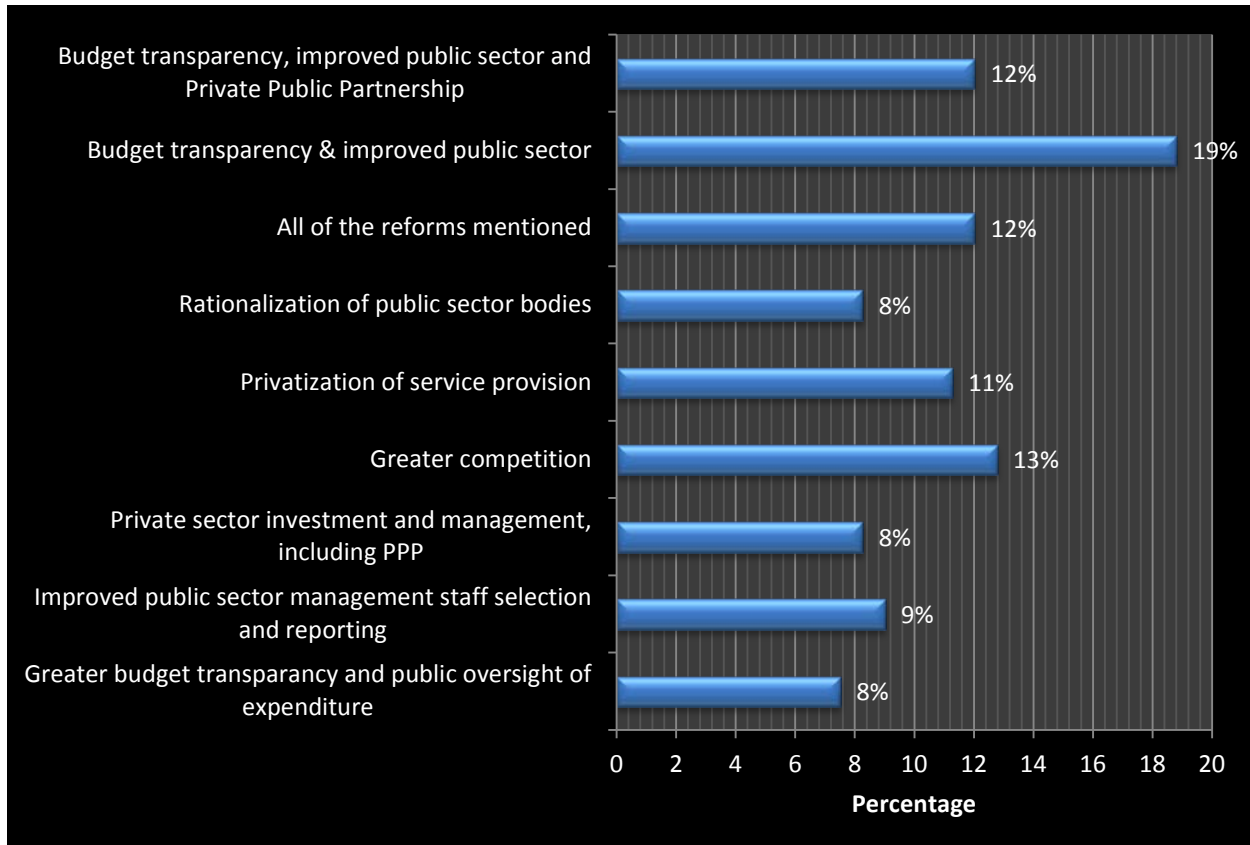
Figure 51b: Business View of the Need for Major Reforms for Improvements of the Quality of Government Services



Areas in which the Private Sector thinks that Major reforms are needed to Improve the Quality of Services in Papua New Guinea

This question asks respondents to indicate their first preference for policy reform (or reforms) to enable improved quality of services in PNG, selecting one or more from a list of options, (including adding other options unlisted). Some respondents selected individual policy areas, whilst others selected multiple priorities where they wanted to see major reforms. . 19% of respondents indicated that they would seek ‘greater budget transparency and improved public sector management’, 13% favoured ‘greater competition’, 12% prioritised ‘budget transparency, improved public sector management and the application of public-private partnerships’, another 12% favoured all the measures referred to in the questionnaire, 11% gave first preference to ‘privatization of service provision’, 9% preferred ‘improved public sector management, staff selection and reporting’, whilst the balance (24%) gave preference to different combinations of private sector service provision including PPPs, rationalisation of the public sector and greater budget transparency and public oversight of expenditure (Figure 52).

Figure 52: Private Sector View on First Preferences (or Combination of Preferences) for Policy Reforms to Improve the Quality of Services in PNG



Part 6: Rating Hindrances to Business and Investment

The last part of the survey was intended to ascertain the factors or issues, which the private sector view as hindrances to doing business or impacting on investment decisions in PNG.

Ranking of Hindrances to Business and Investment

This question asks respondents to rate 24 commonly cited issues on a 6 point scale according to their impact (as a hindrance, or otherwise) on the respondents’ business and investment decisions. With 1 being ‘not a problem’ and 6 being ‘extremely problematic’, it found that ‘law and order’ problems are considered the most problematic issue and a major hindrance to businesses and investment. Following closely behind, businesses indicated that the other two next two major rated hindrances are ‘corruption’ and the ‘state of transport infrastructure’. The (poor) state of electricity infrastructure came next, followed closely by availability of skilled

labour, followed closely in turn by the state of telecommunications infrastructure and political uncertainty and the stability of rules and regulations. (Figure 53).

Although many hindrances are still considered severe, there does appear to have been a slight improvement in the ratings given by businesses to some issues between 2007 and 2012, although, as stated earlier, some caution must be given to direct comparisons between the survey results, on the basis of the limited number and variation in the composition of respondents, It should, however, provide a useful indication of the views and concerns of the business sector operating legitimately in PNG (ranging from large corporations to small to medium enterprises in the formal sector). (Some segments of the business sector, including businesses operating outside, or on the fringe of the law, did not, or were reluctant to participate in this survey, so their views were presumably not reflected, or only coincidentally reflected in this survey)

Some apparent notable changes in rating of hindrances between 2007 and 2012, include: - a slight improvement in the perception of telecommunications infrastructure and services, (presumably with the advent of mobile phone competition since mid-2007, albeit the poor, costly and somewhat unreliable data and internet services prevailing, particularly in some centres and parts of the country); LLG and urban authority tax and rules seem to be of slightly less concern in 2012 than 2007, (despite the threat of some subnational sales taxes being introduced, notably in some provinces); variable exchange rates may be of slightly less concern in 2012, along with concerns over lack of tariff support and subsidies (notably during a year when most commodity prices were still strong); conversely, there may have been slightly increased concern over the cost of skilled labour (during 2012, when the PNG LNG construction was at its zenith, absorbing skills from a wide range of other businesses and the public sector).

Figure 53a: Ranking of Hindrances to Business and Investment Climate

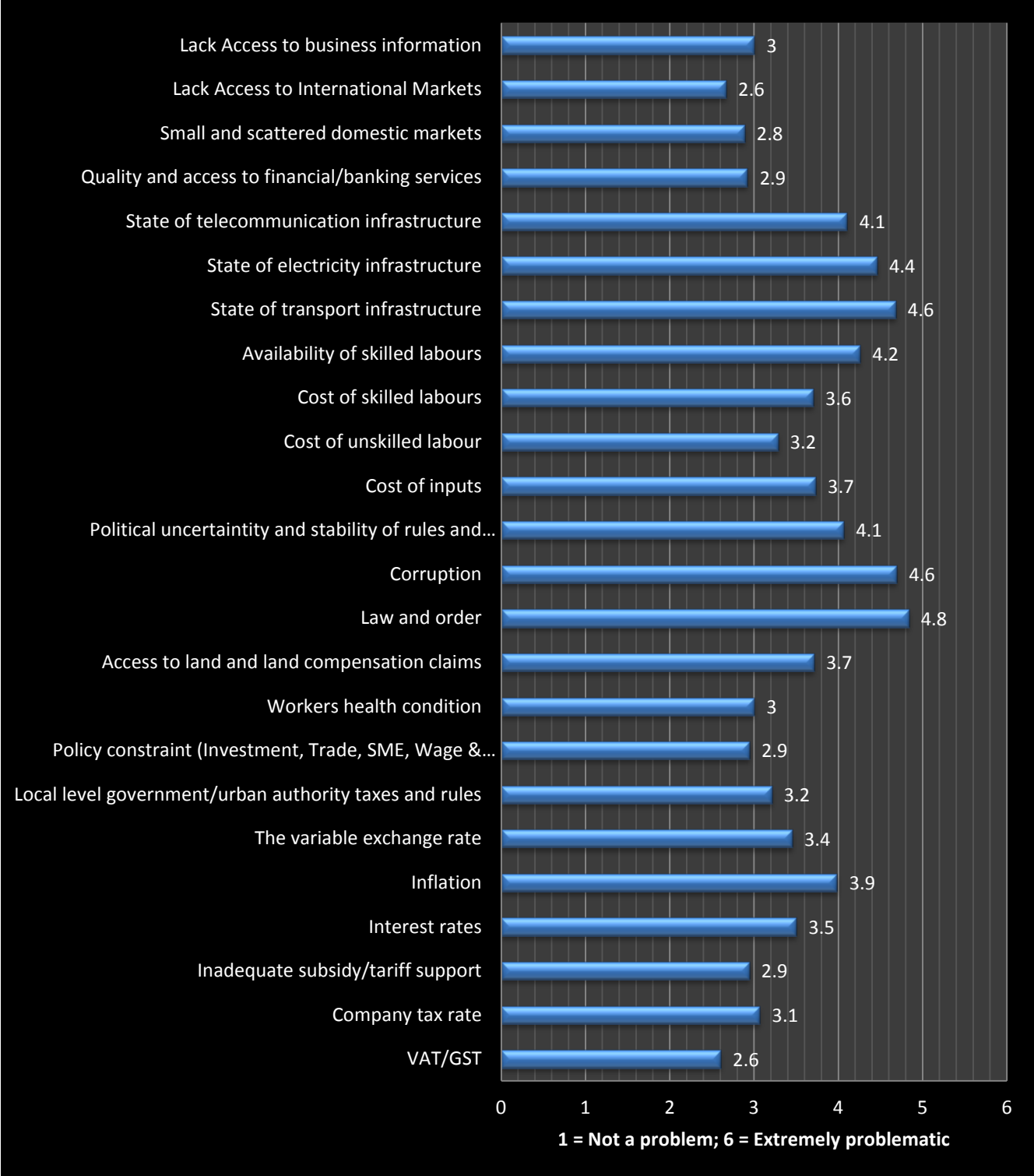
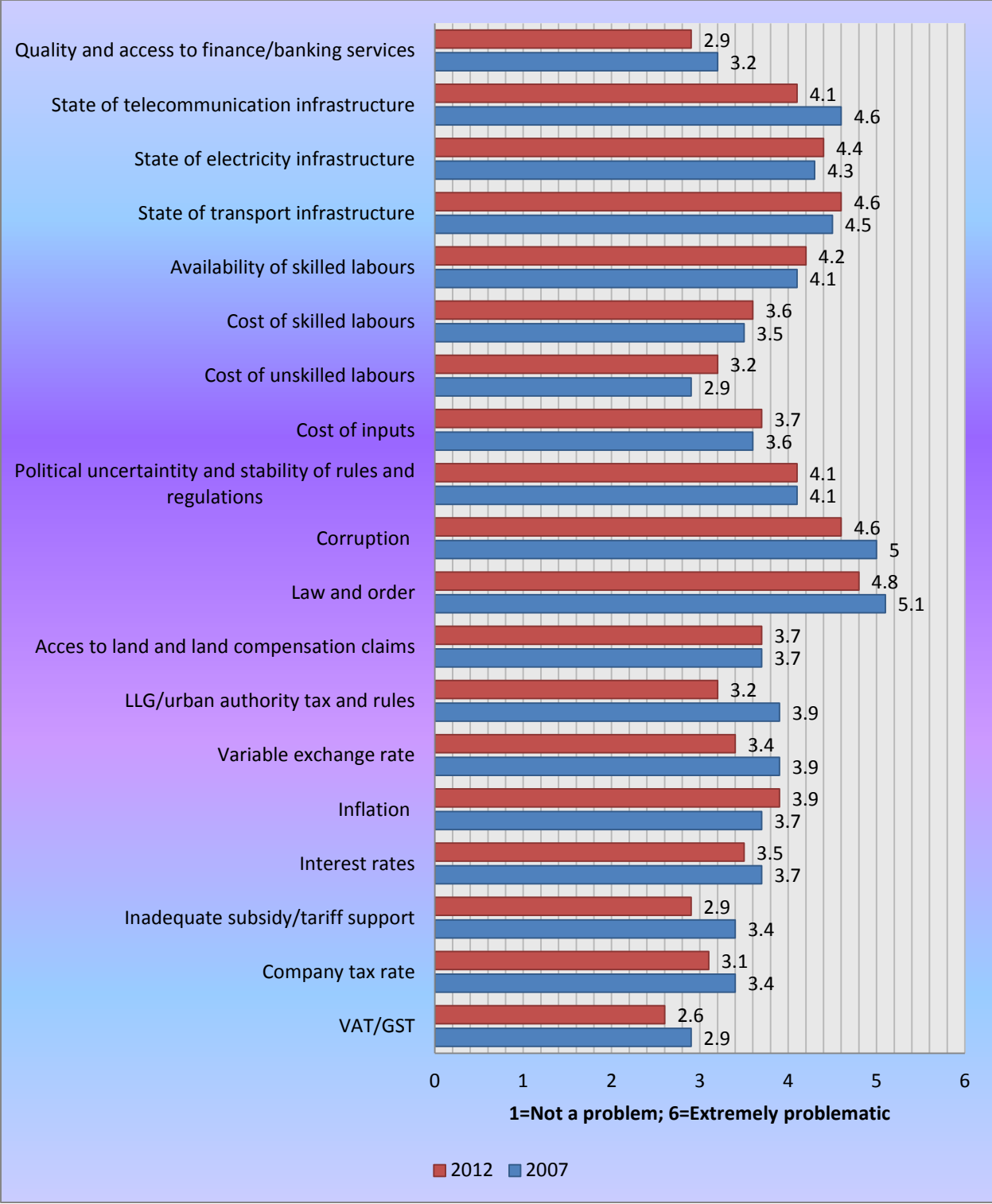


Figure 53b: Ranking of Hindrances to Business and Investment Climate



Top 3 Priority Areas for Government Reform to Encourage Business and Investment

After rating the 24 commonly cited hindrances to business, respondents were asked to nominate the priority issues that they want government to address for the business and investment climate to be improved. 30.3% of the respondents specified 'law and order' as their top priority concern for government to tackle. 17.0% nominated 'corruption' as their top priority, whilst 8.9% of the respondents highlighted the 'state of transport infrastructure', followed equally (at 5.2% apiece) by the 'state of electricity infrastructure' and trade, investment and employment policy constraints as their priority concerns for government to address (Figure 54a).

In terms of first priorities, there are apparent variations, between 2011/12 and 2012/13, not so much in the ranking of the priorities overall, but in terms of the portion of respondents prioritising different hindrances. Law and order, whilst still by far the highest priority for addressing, sees almost 10% less respondents placing it as their top priority; (recognising the caution, specified earlier, over reading too much into direct comparisons between the data between the two years, on the basis of sample variations of size and other characteristics). There's an apparently significant reduction in the portion of respondents placing deficient 'telecommunication infrastructure' as their first priority for addressing, but a seemingly significant increase in the portion placing inadequate 'electricity infrastructure' as their top priority. (Figure 54b)

Figure 55 depicts the issues businesses nominated as their second priority area for government to address, with 19.2% selecting the 'state of transport infrastructure', followed, at 17.0%, by 'law and order', then 14.1% selecting 'corruption', at 6.7% 'shortage of skilled labour' and then at 5.9%, respectively, the state of telecommunications and access to land. 14.1% nominated the 'state of transport infrastructure' as their third priority area for government to address to improve the business and investment environment, as depicted in Figure 56. About 12.5% selected 'availability of skilled labour' as their third priority area, followed by 8.1% nominating 'law and order', and 7.4% apiece for tackling 'corruption', 'electricity infrastructure and trade, investment and employment policy constraints'.

Figure 54a: Business View as the Most Important Issue for the Government to Address in order to Encourage Business and Investment

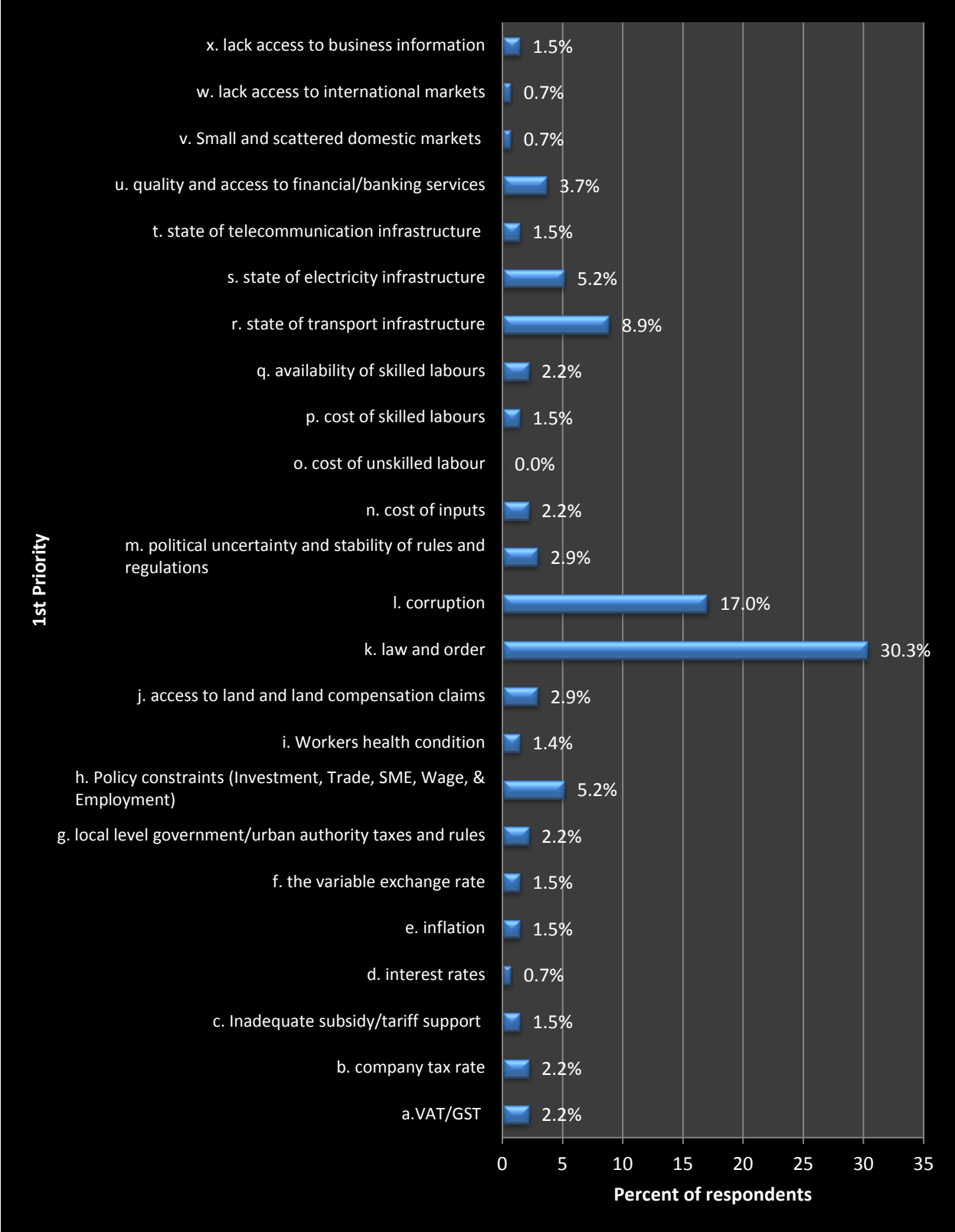


Figure 54b: Business View as the Most Important Issue for the Government to Address in order to Encourage Business and Investment

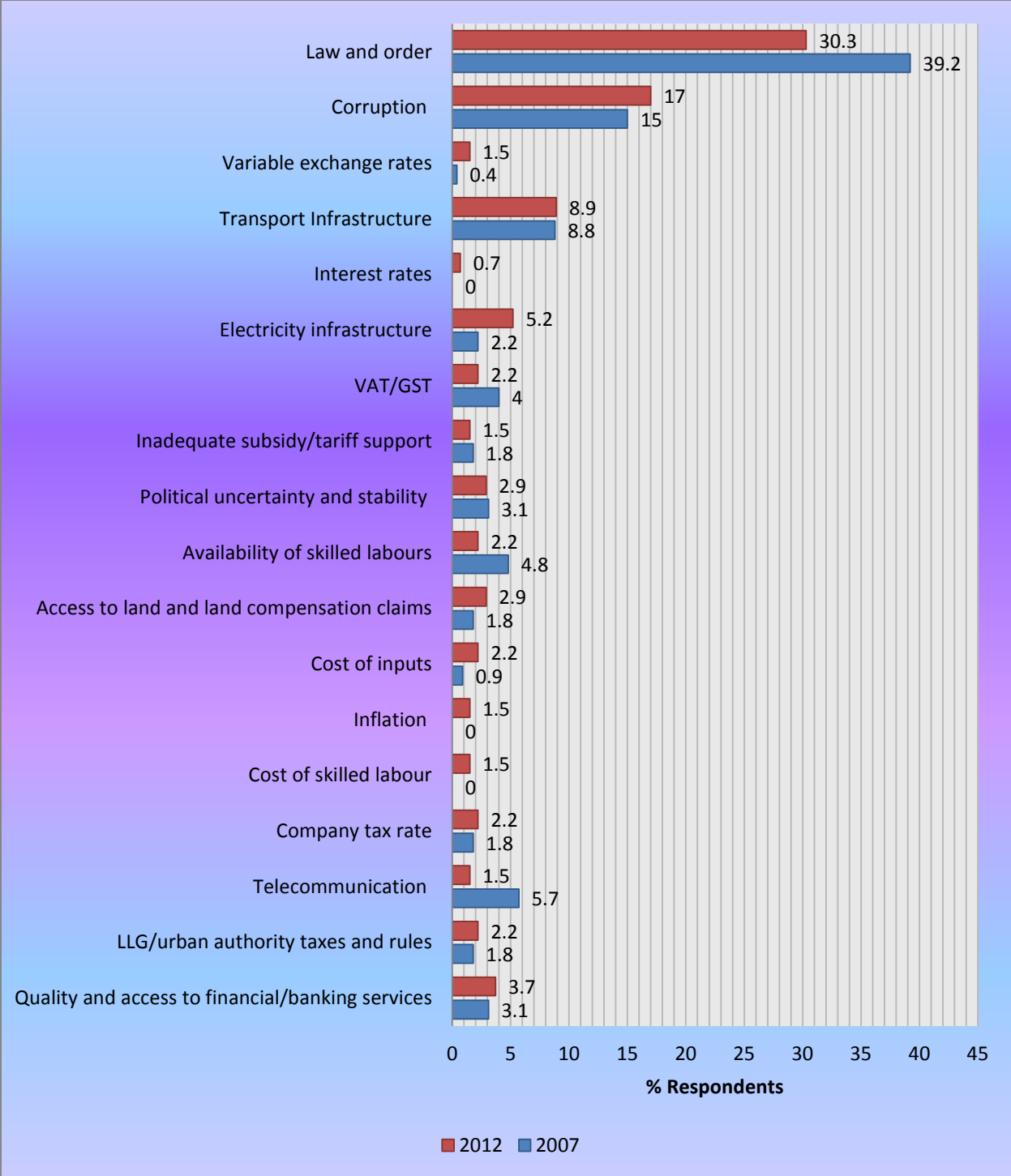


Figure 55: Business View as the Second Important Issue for the Government to Address in order to Encourage Business and Investment

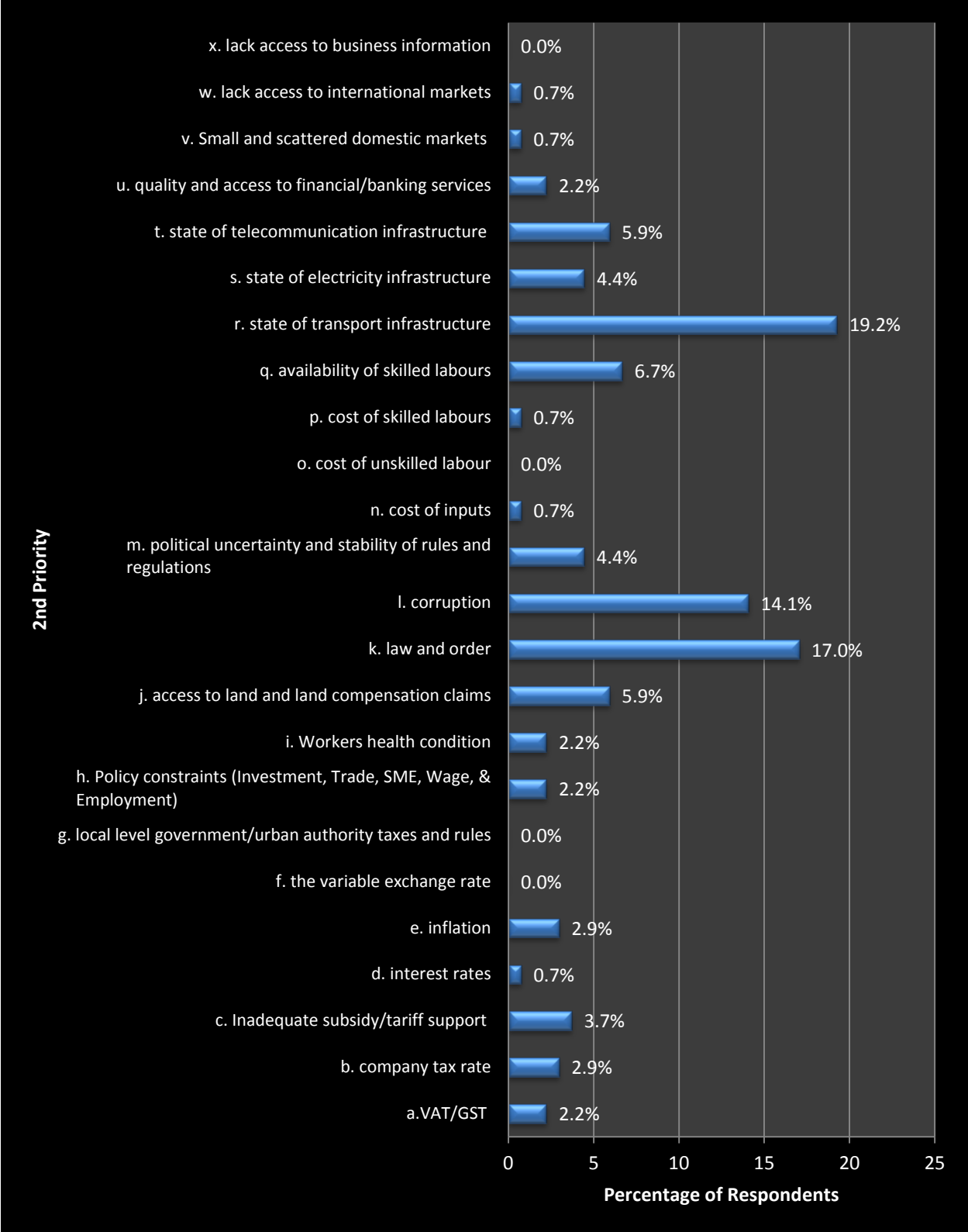
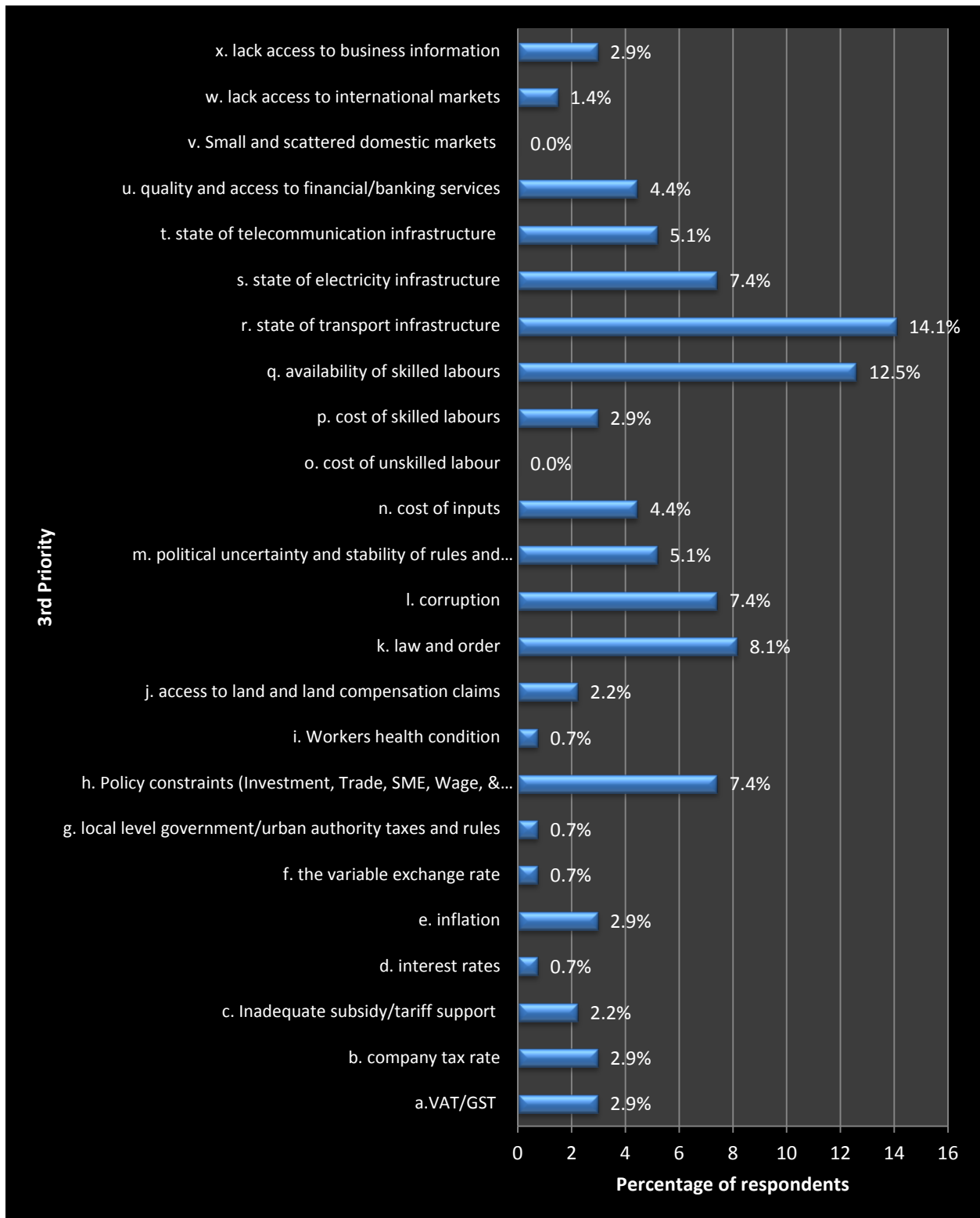


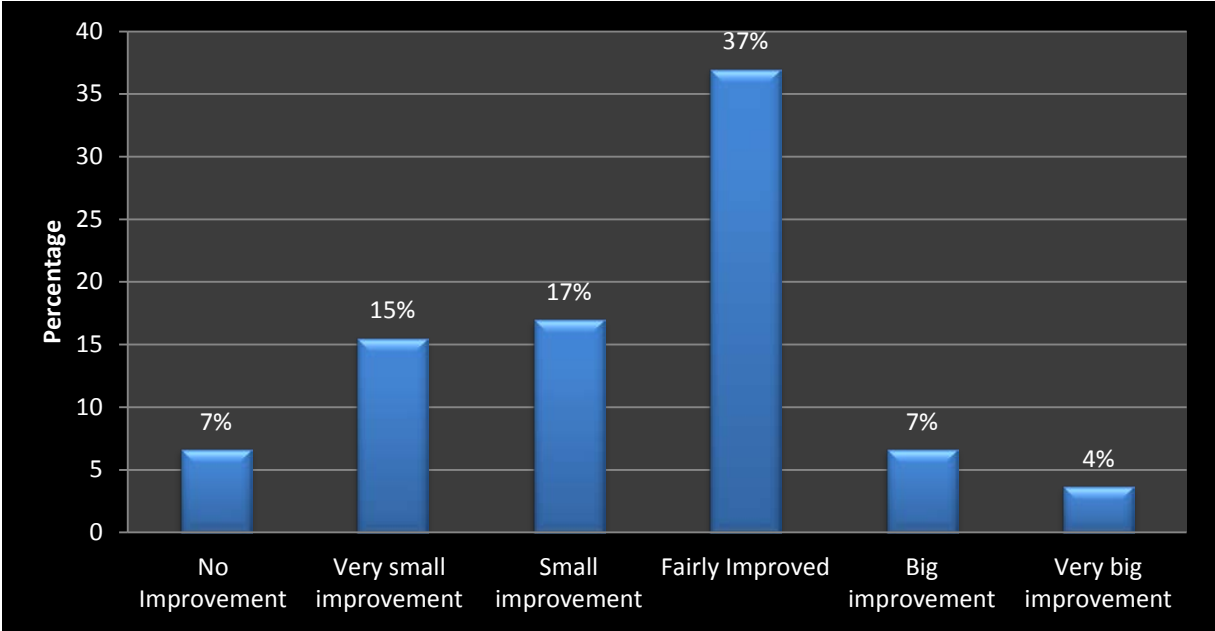
Figure 56: Business View as the Third Important Issue for the Government to Address in order to Encourage Business and Investment



Improvements in the Business Environment since 2006

This question asks businesses to assess whether there has been an improvement in the overall business environment since 2006 using a 6 point scale. 37% of respondents indicate that they consider that the overall business environment has 'fairly improved' since 2006 (until 2012). Only 11% indicate that they feel there has been either a 'big improvement' or 'very big improvement' since 2006. 7% of the respondents indicated that there was 'no improvements', and about 32% assessed either a small or very small improvement in the overall business environment since 2006 (Figure 57).

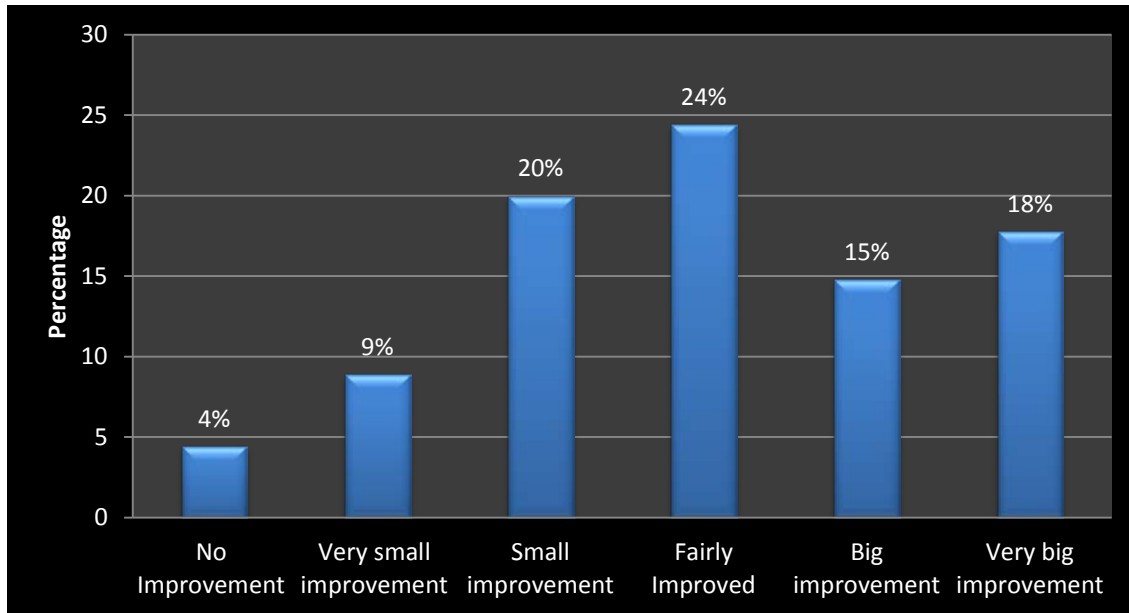
Figure 57: Overall Ranking of Improvements in the Business Environment Since 2006



Ranking Improvement in the prospects of doing business since 2006

This question ask respondents to assess whether there has been any improvement in the prospects of doing business since 2006 (to 2012). 24% of the respondents indicated the prospects of doing business have 'fairly improved'. A further 33% suggested that there was either a 'big improvement' or 'very big improvement' in business prospects since 2006. 29% indicated that there was either a 'very small improvement' or just a 'small improvement' in the prospects of doing business since 2006. Only 4% indicated that there to have been 'no improvement' since 2006. (Figure 58).

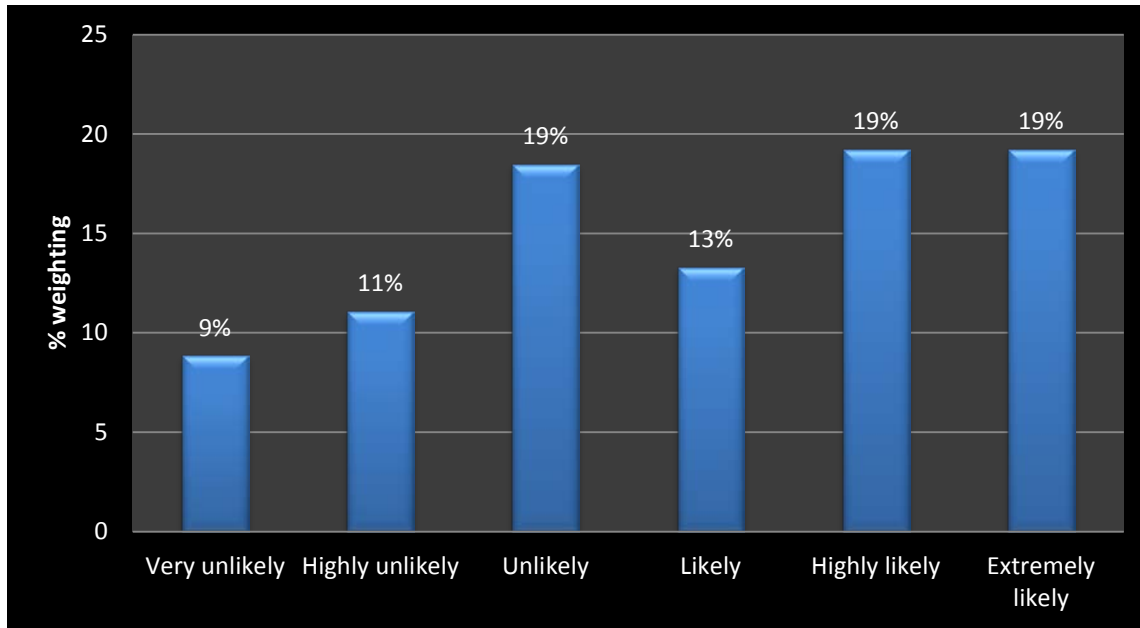
Figure 58: Overall Ranking of Improvements in the Prospects of Doing Business since 2006



Prospects of Pursuing any Major new Investments within the next 2 years

This question asks businesses to indicate whether they are considering any new major investments within the next 2 years. 51% of respondents indicated that they are 'likely' to 'extremely likely' to consider major new investments within the next 2 years. 39% of respondents indicated that they are 'unlikely' to 'very unlikely' to consider new major investments within the next 2 years (Figure 59).

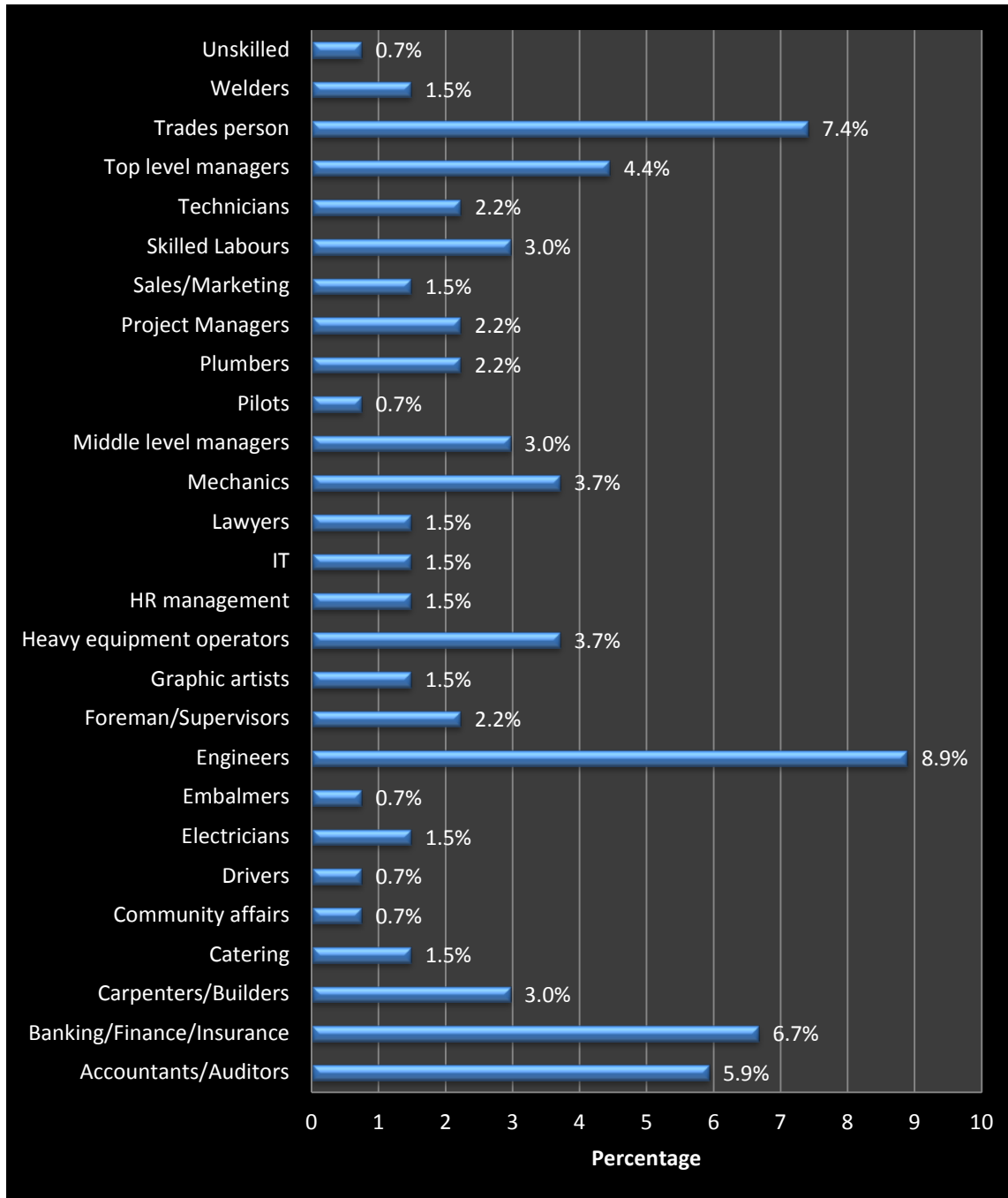
Figure 59: Likelihood of pursuing new major Investments within the next 2 years



Availability of Labour and Skills in the PNG Labour Market

Businesses were asked to identify the 3 main types of employee (specific skills, unskilled labour and/or professionals) that they may recruit or retain) in the PNG labour market. According to the survey, the highest number of respondents, 8.9%, indicated that it is difficult for them to recruit or retain 'engineers' in the PNG labour market. 7.4% indicated that 'trades persons' were hard to find, 6.7% suggested that staff in the areas of 'banking, finance and insurance' were hard to recruit or retain, and 5.9% suggested it was accountants and auditors (Figure 60). (It should, of course, be recognised that this table partly reflects the nature of business of the respondents and not simply the relative scarcity of respective skills).

Figure 60: Main Skills/professionals hard to Recruit or Retain in the PNG Labour Market

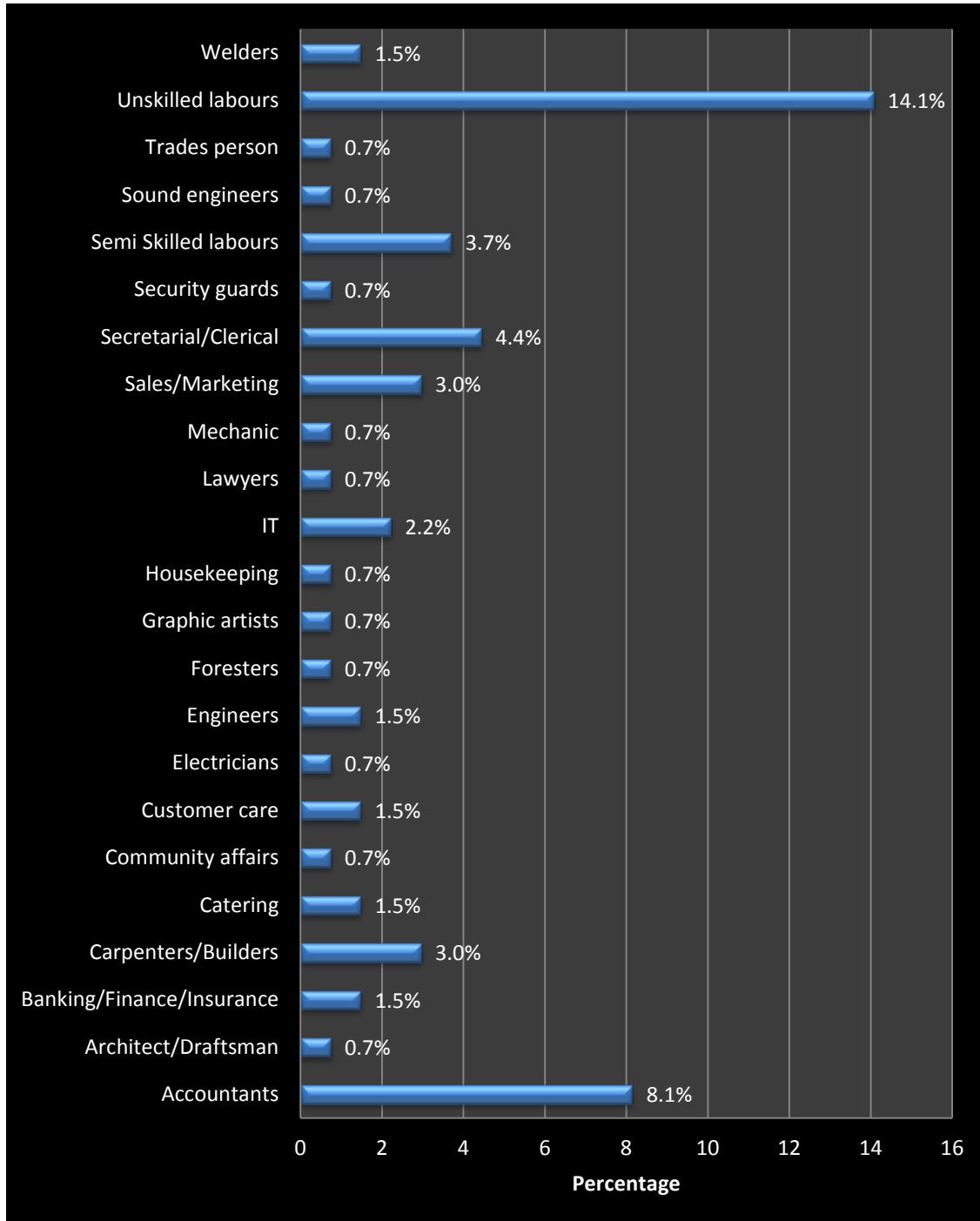


Pool of Skills and Professions Available in the PNG Labour Market

Businesses were asked to indicate the skills or types of labour that are readily available and easy to find and recruit in the PNG labour market. 14.1% of the respondents indicated that ‘unskilled labour’ is readily available and easy to recruit in the PNG labour market. 8.1% indicated that ‘accountants’ are easy to find and recruit (although the calibre and skills levels

are very mixed, with diverse courses of varied duration provided by a range of training institutions) and 4.4% stated that 'secretarial/clerical' staff are easy to secure in the PNG labour market (Figure 61).

Figure 61: Main areas of skilled labours and professionals easy to find and recruit in the PNG labour market



Challenges faced by Private Firms to retain Skilled and Professional Employees

This question requested businesses to indicate the main challenges they face in retaining their skilled and professional employees. According to the survey, 21.5% of the respondents showed that 'wages and salary' was their main challenge. 12.6% indicated that the provision of 'accommodation' was their main problem to retaining such employees. 'Personal reasons' and 'attractive employment benefits and conditions offered by their rivals/competitors', were both reported as the main challenge for 7.4% respondents and 6.7% of the respondents indicated that attractive employment conditions and benefits offered by the extractive industry to lure skilled and professional employees was their major challenge in retaining their employees (Figure 62).

Figure 62: Challenges faced by businesses in retaining professional and skilled employees

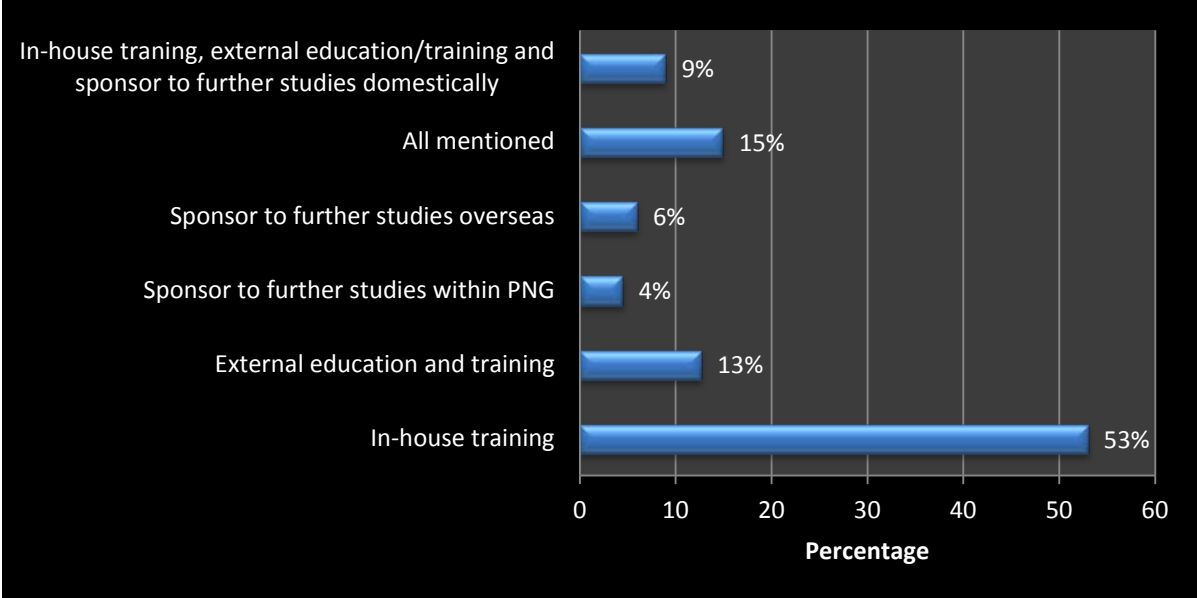


Methods Private Firms Employ to Improve Employees' Skills and Professionalism

Businesses were asked to indicate their main methods of improving skills and professionalism amongst their employees (from a list of options provided). More than half, 53%, of the respondents emphasised the 'in – house training' they provide to improve their employees' skills. 13% prioritised their provision of 'external training and education' for their employees. About 4% stated that they 'sponsor their employees to studies within PNG', whilst 6% indicated

they 'sponsor their employees to studies overseas'. About 15% of the respondents indicate that they use all the methods mentioned to improve their employees' skills and professionalism (Figure 63).

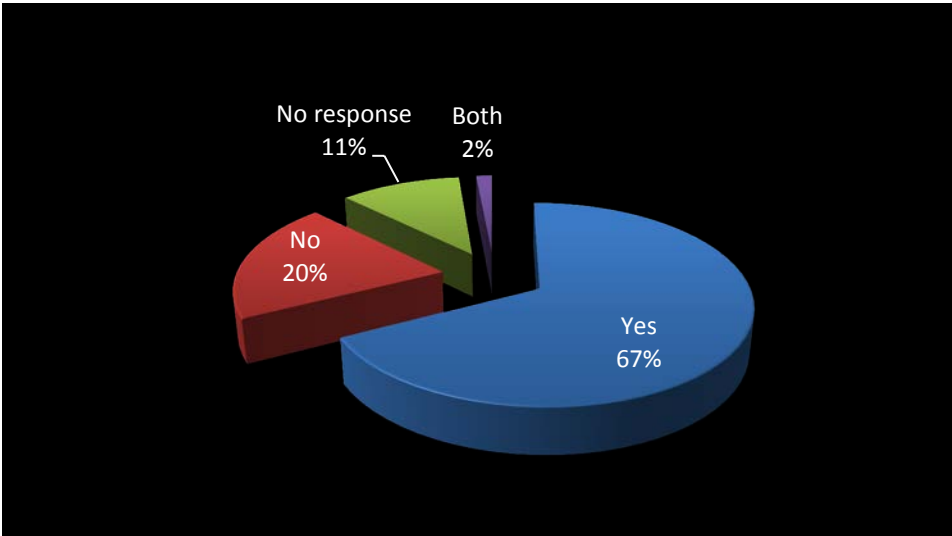
Figure 63: Methods used by Private Firms to improve employees' skills and professionalism



Impact of employees' health conditions on business productivity

This question asked businesses to indicate the impact upon their business's productivity from workers/employees' absence from work for health reasons. About 67% of the respondents suggested that workers' absence and poor performance over health issues affects the business productivity, whilst 20% responded that workers' absence and poor performance for health reasons does not impact on the business productivity. 11% did not answer the question, (Figure 64).

Figure 64: Workers health conditions impacting business productivity



Note: we'll need to add quotation numbers in the text/ variations on some questions between regions and between industries (subjects to limits of data/participants from various sectors)