

SESSION 4: PARTNERSHIPS IN PROVINCES AND DISTRICTS

Participating in Development Partner Projects

Mr. Adam Kramer, Managing Director, Kramer Ausenco (PNG) Limited

Micro, Small, and Medium-Sized Enterprise (MSME) | ADB Perspective

MSMEs in developing member countries (DMCs) through 2022, accounted for:

96% of all enterprises

55% of the workforce

28% of a country's economic output

There is no comprehensive MSME data available in PNG; but PNG SME Policy 2016 indicated:

?? of all enterprises

?? of the workforce

17% of a country's economic output

MSMEs in Asia and the Pacific (percentage share)							
	All	Southeast Asia	South Asia	Central and West Asia	Fiji	Papua New Guinea	Samoa
• Number of MSMEs to total enterprises	96.6%	98.0%	99.6%	99.2%	82.4% (2020)	n/a	96.6% (2022)
• MSME employees to total employees	55.8%	66.4%	76.6%	51.9%	28.3% (2020)	n/a	n/a
• MSME contribution to economic outputs*	28.0%	41.2%	17.7%	41.5%	6.3% (2020)	17.3% (2016)**	n/a
• MSME exports to total export value	26.3%	13.3%	37.4%	28.3%	n/a	n/a	n/a

MSME = micro, small, and medium-sized enterprise, n/a = not available.

* Based on gross domestic product for Brunei Darussalam, Indonesia, Malaysia (real), Papua New Guinea, the Philippines, Thailand, India, Nepal, Pakistan, the Kyrgyz Republic, Tajikistan, and Uzbekistan; gross value added for Bangladesh (manufacturing), Armenia, Azerbaijan, Georgia, Kazakhstan, and Fiji; nominal value added for Singapore.

** Data from SME Policy 2016 (March 2016).

Reporting countries only. Data based on the latest available data until 2022.

C. MSME Employees by Region, 2022

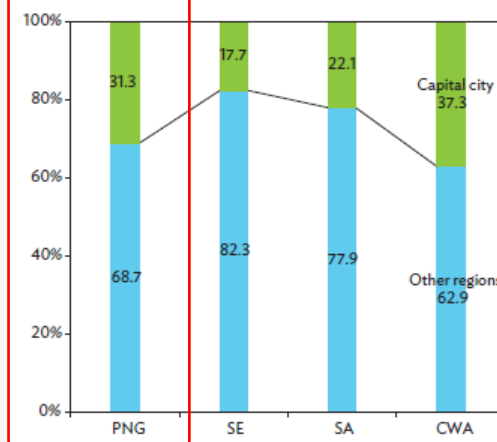


ARM = Armenia; AZE = Azerbaijan; BRU = Brunei Darussalam; CAM = Cambodia; CWA = Central and West Asia; FIJ = Fiji; GEO = Georgia; INO = Indonesia; KAZ = Kazakhstan; KYR = Kyrgyz Republic; LAO = Lao PDR; MAL = Malaysia; MSME = micro, small, and medium-sized enterprise; NEP = Nepal; PAK = Pakistan; PNG = Papua New Guinea; PHI = Philippines; SA = South Asia; SE = Southeast Asia; SIN = Singapore; TAJ = Tajikistan; THA = Thailand; UZB = Uzbekistan; VIE = Viet Nam.

Notes: Data refer to the latest available data until 2022. For FIJ, data are for 2020; for PNG, data are for 2011. Growth is the compound annual growth rate (CAGR) for the latest 5 years (mostly 2017–2022 or 2016–2021), except PAK (3 years [2015–2018]) and FIJ (6 years [2014–2020]). For Figures 1.3B and 1.3C, CWA, SA, and SE refer to the average of reporting countries.

Source: ADB Asia SME Monitor 2023 database.

C. MSMEs by Region, 2022



ARM = Armenia; AZE = Azerbaijan; BRU = Brunei Darussalam; CAM = Cambodia; CWA = Central and West Asia; FIJ = Fiji; GEO = Georgia; IND = India; INO = Indonesia; KAZ = Kazakhstan; KYR = Kyrgyz Republic; LAO = Lao PDR; MAL = Malaysia; MSME = micro, small, and medium-sized enterprise; PAK = Pakistan; PNG = Papua New Guinea; PHI = Philippines; SA = South Asia; SAM = Samoa; SE = Southeast Asia; SIN = Singapore; TAJ = Tajikistan; THA = Thailand; UZB = Uzbekistan; VIE = Viet Nam.

Notes: Data refer to the latest available data until 2022. For FIJ, data are for 2020; for PNG, data are extracted from the SME Policy 2016 (March 2016); for SAM, data are for 2022. Growth rate is a compound annual growth rate (CAGR) for the latest 5 years (mostly 2017–2022 or 2016–2021), except FIJ (6 years [2014–2020]), LAO (7 years [2013–2020]), PAK (15 years [2005–2020]). For SAM, CAGR for 2017–2022. For Figures 1.2B and 1.2C, CWA, SA, and SE refer to the average of reporting countries.

Source: ADB Asia SME Monitor 2023 database.

Micro, Small, and Medium-Sized Enterprise (MSME) | ADB Perspective

Policy Implications for Resilient and Inclusive Growth in Pacific MSMEs

1. Strengthen Domestic Labour Markets

- Leverage untapped resources: women, youth, and MSMEs.
- Mainstream gender and youth inclusion in labour strategies.
- Balance strategies on overseas workers and remittances.
- Incentivize skilled domestic labour (tax breaks, skill development, wage grants)
- Negotiate compensation mechanisms between source and host countries to address labour shortages.

2. Diversify Domestic Businesses and Promote International MSMEs

- Improve domestic and global market access.
- Develop business clusters to reduce costs and support MSME exports.
- Establish digital platforms for market information and advisory services.
- Create special economic zones with tax relief and other support.

3. Build a National Entrepreneurial Base

- Promote entrepreneurship among women, youth, and rural populations.
- Strengthen capacity development programs for entrepreneurs.
- Align entrepreneurship with broader business diversification strategies.

4. Encourage Business Digitalization

- Enhance ICT infrastructure and promote e-commerce.
- Broaden access to digital finance solutions and regulatory reforms.
- Incentivize informal businesses to formalize for better access to financial services.

5. Boost Business Productivity

- Focus on agribusiness and sustainable tourism sectors.
- Promote agriproduct exports through branding and infrastructure development.
- Support MSMEs linked to tourism for job creation.

6. Develop Alternative Financing Options

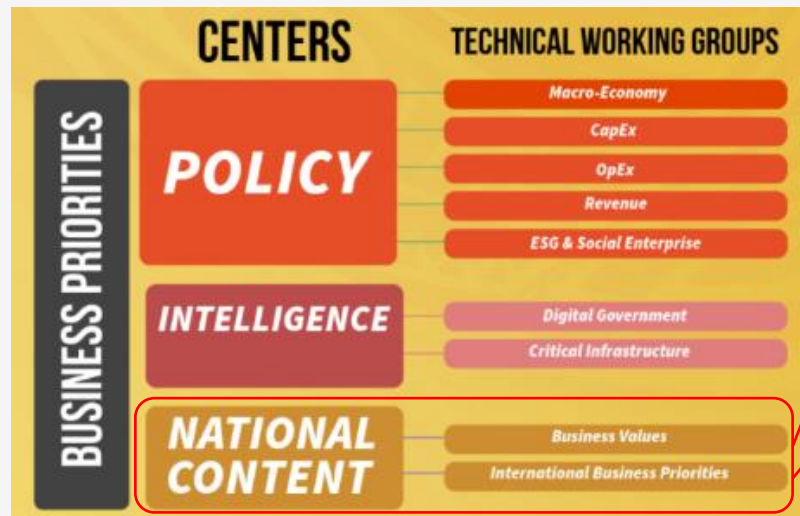
- Expand nonbank and market-based financing for MSMEs.
- Support agricultural value chain financing and digital financial platforms.
- Balance public financing with market-based financial sector development.

7. Establish MSME Data Infrastructure

- Develop systems for key MSME indicators to inform policy.
- Establish credit bureaus, collateral registries, and credit risk databases.
- Improve MSME access to formal financial services with coordinated data systems.

BCPNG Technical Working Groups under National Content

- **PGK 2 Overall Theme "Making Communities Productive"**: Central to driving productivity in provinces and districts by increasing local business participation in large-scale development projects. Promotes a shift from reliance on foreign contractors toward empowering domestic businesses.
- **Participating in Development Partner Projects**
- **Role of local businesses** in development partner-funded projects, with emphasis on challenges, opportunities, and the EPC capabilities of PNG companies.



Insights from Business Values TWG: Enhancing productivity through improved market systems and regulatory frameworks.

- Emphasize the importance of partnerships with the government (e.g., Department of Labor, ICT) and financial institutions to enhance data availability and decision-making for development partner projects.
- Advocate for national productivity surveys to provide insights into gaps that hinder local participation in major projects.

Insights from International Business Priorities TWG: Addressing barriers to domestic participation in development partner projects.

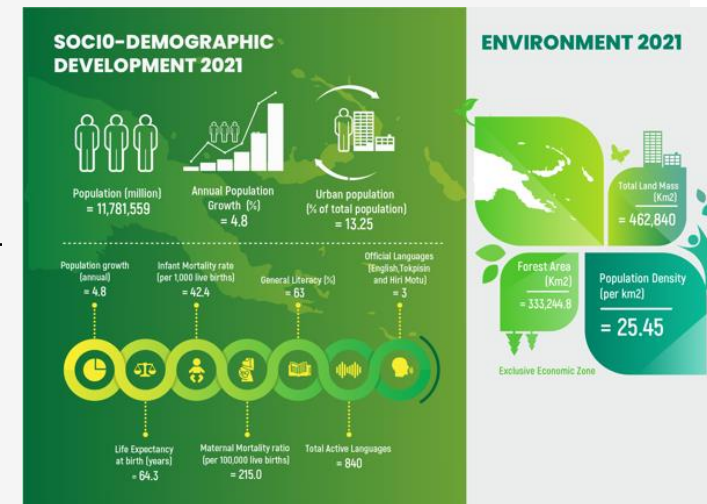
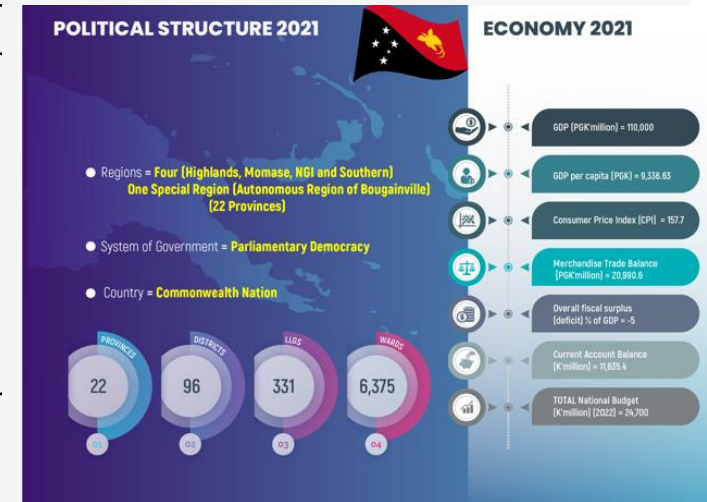
- Discuss the "boomerang aid" issue, where international companies dominate donor-funded projects, limiting opportunities for domestic businesses.
- Highlight the need for donor agencies to ease qualification criteria to enable PNG companies to lead or significantly contribute to such projects.
- Stress the importance of fostering partnerships between local businesses and international firms to facilitate knowledge transfer and capacity building.

"True freedom comes when we build policies that empower local communities, fostering self-reliance and ownership over their development."

— Nelson Mandela: Former President of South Africa and global icon for justice

Medium Term Development Plan IV 2023-2027

Key Objectives	Aligned Development Partner Strategies	Participation Opportunities for Increased Local Content
<p>1 Increase GDP to K164 billion by 2027, progressing toward K200 billion by 2030</p>	<p>ADB: Infrastructure investments to enhance productivity and connectivity across sectors.</p> <p>World Bank: Supporting value chain development in agriculture, fisheries, and forestry.</p> <p>JICA: Promoting industrial clusters and economic hubs for diversified growth.</p> <p>AIFFP: Port upgrades (e.g., Lae), hydropower refurbishment (Ramu 1), and transport infrastructure.</p>	<ul style="list-style-type: none"> Partnering in large-scale infrastructure projects (roads, bridges, ports) as contractors or suppliers. Providing on-ground services for agriculture projects or participating in value chain logistics. Collaborating in establishing industrial parks or providing local materials and workforce. Engaging in construction contracts, supply chain logistics, and hydropower support services.
<p>2 Generate one million new jobs by 2027 through inclusive economic participation</p>	<p>UNDP: Skills development programs focusing on youth and women's employment.</p> <p>DFAT: Labour mobility schemes and support for SME development to enhance job creation.</p> <p>EU: Focusing on inclusive employment projects in underserved regions, particularly for women and youth.</p> <p>AIFFP: Requiring 30% local content in projects and mandating women's workforce participation.</p>	<ul style="list-style-type: none"> Delivering workforce training services or partnering in creating vocational training facilities. Providing local project management and operational support for labour mobility and SME programs. Participating in infrastructure construction for employment hubs or related facilities. Subcontracting opportunities for construction, supply chain management, and training services.
<p>3 Double internal and export revenues to support fiscal stability and sustainable development</p>	<p>IMF: Strengthening revenue systems and improving tax compliance.</p> <p>ADB: Enhancing trade facilitation and upgrading border infrastructure to boost exports.</p> <p>IFC: Supporting private sector capacity for export readiness and business formalization.</p> <p>AIFFP: Port efficiency improvements and energy infrastructure upgrades to enhance export capability.</p>	<ul style="list-style-type: none"> Supplying IT or software solutions for tax collection systems or compliance auditing services. Participating in the construction and modernization of customs or trade-related facilities. Acting as consultants or service providers for companies aiming to improve export capacity. Participating in operational upgrades, consulting for logistics, and renewable energy projects.



Challenges to increased domestic participation

Challenge	Description	Opportunities for Government and Private Sector Collaboration
Limited Capacity of Local Companies	Many domestic firms lack the technical expertise, financial resources, or workforce capacity needed to meet project demands.	<ul style="list-style-type: none">- Government can provide grants or subsidies for capacity building.- Private sector can partner in joint ventures to transfer skills and expertise.
Access to Finance	High-interest rates, lack of collateral, and limited access to development finance hinder growth.	<ul style="list-style-type: none">- Establish government-backed loan guarantees for SMEs.- Develop partnerships with banks to provide low-interest loans.
Regulatory and Bureaucratic Barriers	Lengthy and complex processes for licensing, permits, and approvals delay project involvement.	<ul style="list-style-type: none">- Streamline regulatory processes through digital platforms.- Engage private sector in designing efficient approval mechanisms.
Lack of Skills and Workforce Development	Insufficient training programs and technical education limit the availability of a skilled workforce.	<ul style="list-style-type: none">- Develop public-private training institutes focused on technical skills.- Partner in apprenticeship and on-the-job training programs.
High Costs of Logistics and Transportation	PNG's challenging geography and poor road networks increase costs for moving materials and workers.	<ul style="list-style-type: none">- Government invests in critical transport infrastructure.- Private sector provides logistics innovations and co-funds projects.
Transparency and Governance Issues	Perceived or actual corruption undermines trust in local firms and discourages investment.	<ul style="list-style-type: none">- Establish transparent tendering and oversight mechanisms.- Promote joint audits by government and private sector watchdogs.
Inadequate Technology and Innovation	Limited adoption of modern technologies hampers efficiency and scalability.	<ul style="list-style-type: none">- Government provides tax incentives for technology adoption.- Private sector invests in R&D and piloting new technologies.
Preference for International Contractors	Development partners often favour established international firms with proven track records.	<ul style="list-style-type: none">- Introduce policies prioritizing local firms in bidding processes.- Encourage international firms to subcontract local companies.
Limited Awareness of Opportunities	Domestic firms are often unaware of upcoming projects or tendering processes.	<ul style="list-style-type: none">- Create centralized online platforms for project announcements.- Partner in awareness campaigns targeting local businesses.
Cultural and Gender Barriers	Socio-cultural norms may limit women's participation in the workforce or business leadership.	<ul style="list-style-type: none">- Develop gender-inclusive workplace policies and incentives.- Fund initiatives promoting women in leadership roles.

Importance of Government and Private Sector Co-operation

- 1. Economic Growth and Resilience:** Collaboration promotes local industries, reducing reliance on imports and diversifying the economy for long-term sustainability.
- 2. Job Creation and Skills Development:** Policies and investments focus on training local talent, creating employment opportunities, and enhancing workforce productivity.
- 3. Effective Public-Private Partnerships:** Combining government oversight with private sector efficiency ensures projects align with development goals, benefiting citizens.
- 4. Innovation and Technology Transfer:** Encouraging local content fosters innovation and knowledge sharing, advancing sustainable practices in key industries.
- 5. Alignment with SDGs:** Local content supports goals like reducing inequality, promoting decent work, and ensuring environmentally and socially sustainable growth.
- 6. Equitable Wealth Distribution:** Engaging local businesses and communities ensures fair economic benefits and builds trust in development initiatives.
- 7. Citizen Ownership and National Pride:** Local participation fosters a sense of ownership, pride, and engagement in national progress.

Key Enablers for Success:

- Clear policies and incentives for local participation.
 - Capacity building through training and infrastructure.
 - Transparent, accountable processes and regular evaluations.
- } Enforcement?



SESSION 4: PARTNERSHIPS IN PROVINCES AND DISTRICTS

Participating in Development Partner Projects

Mr. Adam Kramer, Managing Director, Kramer Ausenco (PNG) Limited

Q&A

Find me for a chat – more dialogue amongst us, the better!