

Supporting the Growth of Private Enterprise: The Role of Sub-National Governments in Papua New Guinea

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Abstract

PNG is pursuing sustained, broad-based economic development through land reforms within the framework of its National Land Development Program. This paper argues however, that land reforms alone cannot achieve the aspired development, particularly for the growth of land-based private enterprises as other business-related reforms are necessary. Using secondary World Bank Doing Business data for PNG, this study examines the country's regulatory practices for *Starting a Business* and *Registering Property*. The study finds that despite high-level government commitments to improve the overall business climate, the country still suffers from a high-cost business environment including at the Local-Level Government level, where enterprise growth is hampered by inconsistent, opaque and archaic regulations. Some lessons on business regulatory experiences from Fiji are drawn to help enlighten the policy reform process in PNG. The study also provides a breakthrough for the coverage of Pacific small island states in Doing Business-related research.

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1. Introduction

The aspiration for and impediments to sustained economic growth through private enterprise development in Papua New Guinea (PNG) feature strongly in national planning documents but have hardly been examined in the literature. The early suggestion by Cole (1993) for Pacific-wide policy reviews to stimulate the private sector appears unheeded as most of the impediments he enunciated, particularly on insecure access to land, are still entrenched in the region. The Medium Term Development Strategy 2005-2010 aimed ‘to trigger the private sector’ but Vision 2050 admits the crippling prevalence of an ‘unfriendly investment climate’ (PNG Government 2005; 2010a). The 2007 Private Sector Survey of the Institute of National Affairs found ‘stability of regulations’ as the fifth most serious impediment to businesses (Scovell 2010) but lately, the country’s ‘prohibitively expensive’ environment compels the private sector to remain ‘small and concentrated in just a few industries’ (ADB 2012: p.17).

The claim by Brunetti et al. (1998) that a business climate plagued with ‘unclear property rights, constant policy surprises and reversals, uncertain contract enforcement and high corruption most likely translates into lower investment and growth’ is corroborated by the strong correlation between regulatory quality and economic growth that Djankov et al. (2006) and Jalilian et al. (2007) establish. However, this is debatable for PNG, as its high GDP growth rates are driven largely by the resource-extraction boom.² The private sector’s ongoing advocacy for a stable business environment (APNGBF 2012) corresponds with the ranking by the Heritage Foundation of PNG as the world’s 128th most free economy (out of 179) in 2012.³ The Foundation’s proclamation that PNG’s regulatory framework ‘remains poor’ validates the assertion of Fairhead et al. (2010) that land administration is ‘inefficient and dysfunctional.’ The Vision 2050 emphasis on land reforms to spur non-minerals investment substantiates the contention of Duncan (2008: p.921) that such development ‘will require overcoming the constraints on access to land.’ Given the vitality of land for future prosperity, the government launched the National Land Development Program (NLDP) in 2007. The main argument of this paper is that the NLDP has to be complemented with at least conducive regulations if it is to make land work through private enterprise growth.

The plunge in PNG’s World Bank *Ease of Doing Business* ranking from 53 (out of 175 countries) in 2005/06 to 101 (out of 183) in 2011/12 reveals explicitly the shackling effect of its regulations. The trend affirms the charge by the Heritage Foundation that ‘numerous and time-consuming bureaucratic hurdles’ stifle much needed investment. Although seen as ‘only an approximation,’ the Development Strategic Plan 2010-2030 recognises the Doing Business rankings as ‘currently the best available gauge of PNG’s ability to attract investment’ (PNG Government 2010b). Burgeoning empirical studies into the decade-long Doing Business surveys are concluding the positive impact of business regulatory and policy reforms on the economy (Haidar 2012) but often such analyses in the literature are limited to regions beyond the Pacific Islands. It is plausible that this deficiency may be a reason for the unhurried and uneven pace of internally-driven reforms in the Pacific.

PNG’s regulatory environment is reviewed on the basis of its Doing Business indicators for *Starting a Business* and *Registering Property* as these regulatory areas are targeted in the Development Strategic Plan 2010-2030 and Vision 2050 and also examined in the literature (see for example Klapper et al. 2006; Djankov 2009). The global rankings of PNG in 2012

² PNG’s GDP growth rates were 7.4% in 2010, 8.9% in 2011 and is projected to be 7.5% in 2012 (ADB 2012).

³ The Foundation’s PNG report is available on <http://www.heritage.org/index/country/papuanewguinea>.

for *Starting a Business* (84) and *Registering Property* (87) are satisfactory. However, relative to nine other Pacific Island Countries (PICs),⁴ PNG is slowest in issuing a business licence—20 days—and in granting approvals for a company start-up—51 days. PNG takes 72 days—the fourth fastest PIC—to register property transfers involving alienated land. PNG’s planning strategies recognise that domestic structural reform will help lower the cost of doing business, even as land reforms will unlock land for development. While land reforms are to be pursued under the NLDP, the complicated business regulations of sub-national authorities—Local-Level Governments (LLGs)—need reviewing to raise their efficiency.

This paper focuses on business licensing regulations while lessons are drawn from Fiji, which it is hoped will help address outstanding regulatory issues in PNG. To further the objectives of the NLDP through land-based private enterprise growth, the standardisation and streamlining of LLG business licensing procedures are proposed for consideration by PNG authorities. The rest of the paper begins with a review of studies on business regulations in Section 2 and the research methodology in Section 3. Section 4 describes the Doing Business performances of the PICs, while PNG’s is reviewed in Section 5. Lessons from Fiji are presented in Section 6 and Section 7 concludes.

2. Review of Studies on Business Regulations

A major impediment that remained largely undetected until the groundbreaking research of De Soto (1989) relates to regulations for establishing a citizen-owned business. He found that opening a small garment factory in Lima took a staggering 289 days and cost US\$1,231 before the factory was ready to operate legally. The research not only showed ‘how severely restricted access to industry is’ but also ‘confirmed that it was absurd to claim that the law creates no problems’ (De Soto 1989: p.134). Those findings inspired Djankov et al. (2002) to develop a methodology for assessing regulations that led to the launch of the World Bank Doing Business surveys in 2003 on the presumption that fewer, simpler and more cost-efficient regulations lower business costs and spur economic growth. The surveys are considered apposite in view of the claim by Kenyon and Naoi (2010) that policy uncertainty is one of the most serious impediments to doing business in developing countries.

Country studies include Yakovlev and Zhuravskaya (2007) who conclude that simplified entry regulations boosted the formation of more new firms in Russia, while low business start-up and property registration costs are associated with higher per capita income in Brazil (Cavalcanti et al. 2008). Regulatory reforms inspired increases in the number of registered businesses in Mexico (Bruhn 2011) and tripled foreign direct investment into Georgia (Schueth 2011). Secure property rights lead to higher growth through improved asset allocation (Claessens and Laeven 2003), while the finding by Chand and Yala (2009: p.452) that ‘farms expand only when tenure security is present’ is pertinent.

Arrunada (2007) argues however, that the benefits of regulations and difficulties with institutional reforms should not be ignored. Aidis and Adachi (2007: p.409) criticise Doing Business for painting ‘a misleading picture’ of Russia, since ‘formidable barriers’ associated with poor regulatory enforcement, regionalism and pervasive corruption hinder business

⁴ The 10 Doing Business-participating PICs comprise the Federated States of Micronesia (FSM), Fiji, Kiribati, Palau, PNG, the Republic of Marshall Islands (RMI), Samoa, the Solomon Islands, Tonga and Vanuatu.

entry. Krause et al. (2010) downplay the emphasis placed on regulatory uncertainty and highlight the importance of non-regulatory impediments in Mozambique which are fortuitously relevant to PNG. They include the quality of institutions (rule of law and security of property rights), infrastructure, education, HIV/AIDS, finance, crime and political instability. The social impact of reforms is scrutinised in Tanzania—Africa’s star Doing Business reformer—where sweeping reforms for formalisation compelled thousands of street-based micro-traders to leave their bases following a nationally-coordinated eviction programme in major municipalities (Lyons and Msoka 2010). The lack of an explicit focus on gender considerations is also criticised by Hampel-Milagrosa (2010).

A motivation for this study is the dearth of research on Doing Business data for the Pacific, particularly PNG as the region’s largest island economy, although references to the PICs’ global rankings and policy practices—or the lack of them—are often discussed at forums. For instance, Reddy (2011; p.45) deplores the absence of a strong property rights framework and its detrimental impact on investment in the PICs. His articulation of an emerging ‘culture of claiming compensation’ in Melanesia corroborates the concern of Fairhead et al. (2010; p.2) that state land which was alienated prior to PNG’s independence is ‘increasingly being reclaimed by a new generation of customary landowners.’ Scovell (2010) adds that slow land reform is complicated by the ‘concerning trends of unrealistic expectations’ of landowners which will obviously undermine the use and bankability of customary land.

Dollar et al. (2005: p.2) critique the widely-held assumption that the investment climate is the same across a country ‘when in fact there may be interesting variation based on local governance.’ Interventions to strengthen the investment climate should thus ensure that the sub-national environment is not neglected. The prominence of effective local level policy making is acknowledged by such researchers as Rogerson and Rogerson (2010), while Pacific authorities agree that economic strategies developed by local governments are vital (CLGF 2010). Hassall and Tipu (2008: p.26) are concerned with the absence of studies on PIC local governments and urge ‘the need to remedy this situation in light of the immense challenges’ the region faces. The present study thus delves into the business licensing functions of local governments, the streamlining of which advances private enterprise development through the reduction of ‘compliance costs and the scope for rent-seeking activities by officials’ (Devas and Kelly 2001: p.386).

3. Methodology

The quality of PNG’s business regulatory environment is examined via a desk study of secondary data on the country’s Doing Business indicators for *Starting a Business* and *Registering Property*.⁵ The data, supplied to the World Bank by selected Port Moresby-based respondents who are mainly lawyers, accountants and officials,⁶ is downloadable from www.doingbusiness.org. Additional information was accessible through the websites of PNG Government Departments, the Asian Development Bank (ADB), Commonwealth Local

⁵ The 10 regulatory areas covered in the Doing Business rankings are: Starting a Business, Dealing with Construction Permits, Getting Electricity, Registering Property, Getting Credit, Protecting Investors, Paying Taxes, Trading Across Borders, Enforcing Contracts and Resolving Insolvency.

⁶ In addition to Ernst & Young staff, 25 other individuals are listed by the World Bank (2011) as contributors to Doing Business 2012. They include Lawyers (7), PNG IPA officials (5), Accountants (3), Customs officials (2), Lands officials (2), PNG Power (2), Architects (1), Engineers (1), Judiciary (1) and Credit & Data Bureau (1).

Government Forum (CLGF), Melanesian Spearhead Group, Pacific Islands Forum Secretariat (PIFS), Pacific Islands Private Sector Organisation and UNDP Pacific Centre.

To secure information on the business licensing procedures of LLGs, email requests were sent to both the public sector and the private sector through the National Capital District Commission (NCDC), Department of Provincial and Local Government Affairs (DPLGA), Investment Promotion Authority (IPA), Institute of National Affairs, Morobe Provincial Government, National Research Institute (NRI), Manufacturers Council of PNG, and the Chambers of Commerce & Industry in Lae and Port Moresby. Acknowledgements were received from NCDC, DPLGA, IPA, NRI and the Chambers but the desired information on licensing policies, fees, checklists and application forms were unavailable. Notably though, the Lae Chamber President was able to provide their LLG's licensing and fee schedules.

Primary data on licensing procedures in Fiji was collected from all 13 local governments⁷ in the country as well as from representatives of 40 garment factories who volunteered to participate in my field survey during September-November 2011. Consultations were also held with the heads of industry peak bodies including the Fiji Textiles Clothing & Footwear Council, Fiji Commerce & Employers Federation, Fiji Hotels & Tourism Association, Fiji Retailers Association, Suva and Lautoka Chambers of Commerce & Industry and Fiji Indigenous Business Council.

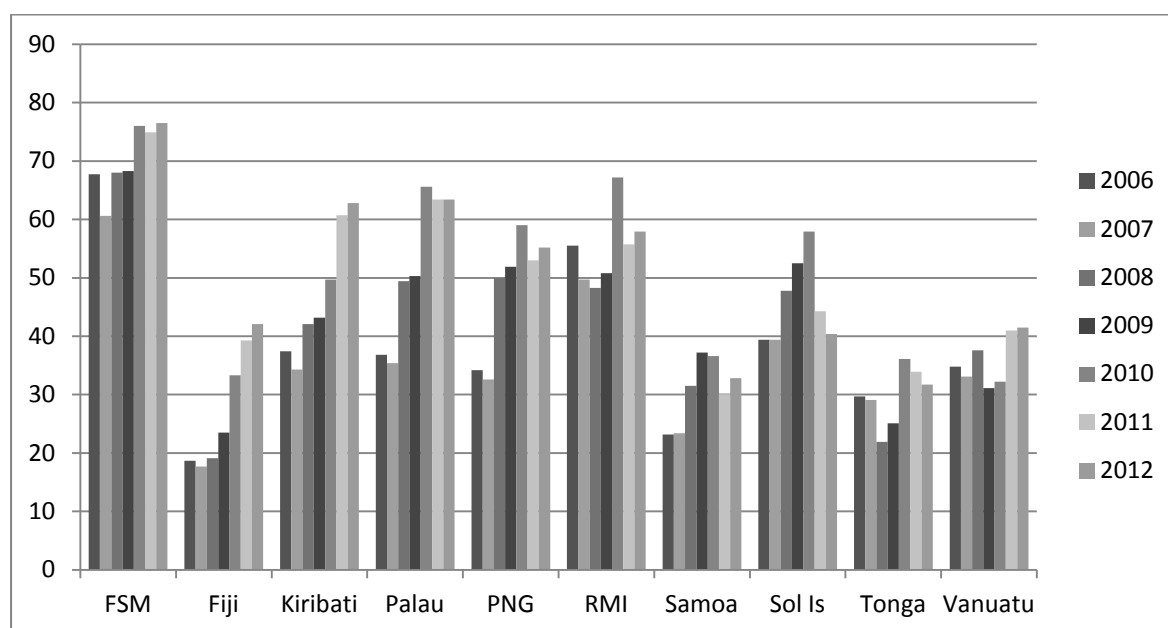
4. Performance of PICs in Doing Business

The performance of the PICs, as first recorded in Doing Business 2006, was impressive. Seven were placed in the top third of the global rankings, with Fiji heading the list at 29 out of 175 countries. However, six years later in Doing Business 2012, just two PICs barely make it into the top third. Tonga, the most business-friendly PIC at 58 (out of 183), is followed closely by Samoa at 60. Fiji has stumbled to 77, behind the Solomon Islands (74) and Vanuatu (76) but ahead of PNG (101). To allow a cross-time analysis of the PICs' Doing Business rankings, controls are introduced for the growth in the number of countries to produce percentage rankings (Figure 1). The overall trend of rising Doing Business rankings implies a generally waning business regulatory environment in the Pacific.

An encouraging trend, nevertheless, is the recent spate of reforms in the region. Of the 33 reforms executed since 2006, 10 took place during 2010/11 in the Solomon Islands, Tonga and Vanuatu. The World Bank (2011, p.4) bestows accolades on these PICs for being among the most improved globally for having implemented at least three reforms, but adds that the reforms in all three countries were 'often supported by donor programs.' One other striking feature is the introduction of seven retrogressive reforms that made doing business more onerous, even in the PICs where donor support was available. Table 1 presents Doing Business rankings and reform data for the Pacific region and lists the countries according to their 2012 rankings to facilitate inter-PIC comparisons.

⁷ The local governments comprise the Suva City Council (www.suvacity.org), Lautoka City Council, and the Town Councils of Ba (www.batowncouncil.com), Labasa (www.labasatowncouncil.com), Lami, Levuka (www.levukatowncouncil.com), Nadi (www.nadi-town-council.yolasite.com), Nasinu (www.nasinu.com.fj), Nausori (www.nausoritowncouncil.org), Rakiraki (www.rakirakitowncouncil.com), Savusavu, Sigatoka (www.sigatokatown.com.fj) and Tavua.

Figure 1: Ease of Doing Business Rankings for PICs, 2006-12



Note: Percentage rankings, from 0 (best) to 100 (worst)

Source: Computed by the author using data from the World Bank (2005-11)

Table 1: PIC Doing Business Rankings and Reforms, 2006-12

	2006 [175]	2007 [175]	2008 [178]	2009 [183]	2010 [183]	2011 [183]	2012 [183]	No. of Reforms
Tonga	46	51	39 (+1)	46 (+2)	66 (+1)	62 (+1)	58 (+3 & -1)	+8 & -1
Samoa	36	41	56	68 (+1)	67 (+2)	55 (+1)	60	+4
Sol Is	61	69	85	96	106 (-1)	81 (+1)	74 (+4)	+5 & -1
Vanuatu	54	58	67 (-1)	57 (+1)	59 (+1)	75	76 (+3 & -1)	+5 & -2
Fiji	29	31	34 (+1)	43 (-1)	61 (+1)	72 (+1)	77 (-1)	+3 & -2
PNG	53	57	89	95	108 (+1)	97 (+1)	101	+2
RMI	86	87	86	93	123	102 (+1)	106	+1
Kiribati	58	60	75	79	91	111	115	0
Palau	57	62 (-1)	88	92 (+1)	120	116	116	+1 & -1
FSM	105	106 (+2)	121 (+1)	125	139	137	140	+3
REFORMS	0	+2 & -1	+3 & -1	+5 & -1	+6 & -1	+6	+10 & -3	+32 & -7

Notes:

1. The number of countries participating in the surveys is bracketed below the year in each column.
2. The rankings for 2006 and 2008-11 reflect rankings adjusted in the following year's Doing Business reports. The 2007 rankings were not revised in 2008, while those for 2012 are current.
3. The numbers in parentheses indicate the number of Doing Business reforms undertaken; positives signify reforms making it easier to do business and negatives making it more difficult.

Sources: World Bank (2005-11)

Starting a business involves as few as four procedures in Samoa and Tonga and as many as nine in Fiji. The process is quickest—nine days—in Samoa and slowest—51 days—in PNG; costing the least—9.7% of per capita income—again in Samoa and a monstrous 142.8% in FSM (Table 2). Business licensing authorities are not restricted to local governments as other national and sub-national agencies may also be involved. A licence is issued in just one day in the Solomon Islands and Vanuatu and takes the longest with the NCDC in PNG—20 days. The efficiency of the Solomon Islands is attributed to their new ADB/AusAID-funded online registration system while reforms in Vanuatu reduced company registration times from 25 to 14 days as well as for licensing approval from 13 days to just a day.

Table 2: Performance of PICs in Starting a Business, 2012

	Starting a Business Ranking 2011/2012	No. of Procedures	Time to Start a Business (days)	Cost (% income per capita)	Business Licensing Authority	Business Licence Approval (days)	Business Licence Fees
Samoa	21/22	4	9	9.7	Ministry of Revenue	4	WST500
Tonga	30/33	4	16	10.3	Ministry of Labour, Commerce & Industry	7	TOP120
RMI	41/52	5	17	17.7	Majuro Local Government	7	USD150-5,000
PNG	83/84	6	51	15.6	National Capital District Commission	20	K50
FSM	93/102	7	16	142.8	Municipality	2	USD100-300
Sol Is	110/110	7	43	34.1	Honiara City Council	1	SBD1,000
Vanuatu	112/114	8	35	47.1	Dept. of Customs & Inland Revenue	1	VT20,000-1million
Fiji	105/119	9	45	25.1	Suva City Council	7-14	FJD100-500
Palau	112/124	8	28	5.8	Revenue Dept. & Koror State Govt.	3-5	USD50
Kiribati	135/141	7	31	22.2	Betio Town Council	7-14	AUD100-600

Note: An additional ‘starting a business’ cost is the paid-in minimum capital requirement that Kiribati and Palau levy at 21.2% and 15.5% of income per capita, respectively. The other PICs have no such requirement. Source: World Bank (2011)

The speed of property transfer registrations varies markedly; it takes just 14 days to complete in Palau, compared to almost one-and-a-half years in Kiribati—the slowest in the world (Table 3). The number of procedures involved ranges from three in Fiji to 10 in the Solomon Islands. A critical assumption of the World Bank for the *Registering Property* indicator is for the transacted property to be ‘fully owned by the seller’ or alienated. The assumption is considered unrealistic for the PICs where the bulk of land is customary-owned (Table 4).

Table 3: Performance of PICs in Registering Property, 2012

	Registering Property Ranking 2011 / 2012	Procedures (number)	Time (days)	Cost (% of property value)
Palau	20 / 20	5	14	0.4
Samoa	33 / 26	5	15	1.6
Fiji	49 / 52	3	68	2.0
Kiribati	69 / 69	5	513	0.0
PNG	86 / 87	4	72	5.1
Vanuatu	122 / 111	4	118	7.0
Tonga	124 / 141	4	108	15.2
Sol Is	173 / 168	10	87	4.9
FSM	183 / 183	No practice	No practice	No practice
RMI	183 / 183	No practice	No practice	No practice

Source: World Bank (2011)

Table 4: Land Distribution by System of Tenure in PICs

	Public/Crown	Freehold	Customary
Fiji	4%	8%	88%
Sol Is	8%	5%	87%
Samoa	15%	4%	81%
Kiribati	50%	<5%	>45%
Palau	Most	Some	Some
FSM	35%	<1%	65%
PNG	2.5%	0.5%	97%
RMI	<1%	0%	99%
Tonga	100%	0%	0%
Vanuatu	2%	0%	98%

Source: AusAID (2008)

5. Doing Business Procedures, Reforms and Impediments in PNG

The six procedures for starting a locally-owned business⁸ in the capital, Port Moresby entail registrations with the Registrar of Companies, Internal Revenue Commission, Employment Registrar, NCDC, a superannuation fund and a private insurer (Table 5). The most time-consuming procedure—taking 20 days or some 40% of the total time—relates to the application for a business or trading licence from NCDC. Although the details of securing a licence in the capital were not available for the present study, NCDC is reportedly engaged with the World Bank in the review of their ‘complex administrative procedures set out as pre-approval licences before a single trading licence is issued’ (Kana 2012).

⁸ The World Bank assumes the business to be a domestically-owned limited liability company that is engaged in general commercial or industrial activities.

Table 5: Procedures, Time and Cost for Starting a Business in PNG, 2012

Procedure	Time (days)	Cost (PGK)
1. Obtain a company seal	4	60
2. Obtain name and register company with the Registrar of Companies	18	260
3. Register with the Internal Revenue Commission for tax purposes and with the Employment Registrar	9	Free
4. Apply for a trading licence from the National Capital District Commission	20	50
5. Open an account with an Authorised Superannuation Fund*	9	Free
6. Register workers with the private insurers for work injury*	20	200
Total	51	15.6^

Notes: *Occurs simultaneously with another procedure; ^% of income per capita

Source: World Bank (2011)

Outside Port Moresby, business licensing is administered by the country's 315 LLGs, 40 of which are Urban LLGs (CLGF 2011). Details of LLG licensing procedures for Lae—the second largest city and ‘economic hub’ of PNG—were accessed through the Lae Chamber of Commerce & Industry. The Lae Urban LLG has 107 different licence classifications which are divided into 49 categories, with 26 fee levels ranging from K106 to K5,000.⁹ Information on licensing from the Lae LLG or Morobe Provincial Government were inaccessible, but the Chamber President described the system as ‘convoluted and potentially difficult to monitor’ (McLay 2012). His views are consistent with the admission in the 2010 Budget that many regulations are ‘inappropriate and overly burdensome’ (PNG Government 2009: p.73).

Property transfer registrations involve four procedures and take 72 days to complete (Table 6) but half of this time is attributed to securing Ministerial approval. However, as noted earlier, vigilance in evaluating these characteristics is vital since they apply to freehold land which accounts for a mere 0.5% of total land area (AusAID 2008). A critical question obviously relates to accessing customary land that Scovell (2010) observes as one of the challenges to doing business and developing infrastructure in PNG.

Table 6: Procedures, Time and Cost for Registering Property in PNG, 2012

Procedure	Time (days)	Cost
1. Conduct pre-completion, title searches and municipal charges searches at the Office of the Registrar of Titles, Lands Department	1	PGK50
2. The documents are stamped at the Internal Revenue Commission	14	5% of property value
3. Documents are lodged for the approval of the Minister for Lands at the Department of Lands	35	PGK50
4. The transfer and the title documents are lodged for registration with the Department of Lands (The Registrar of Titles)	22	PGK100
Total	72	5.1% of property value

Source: World Bank (2011)

⁹ LLG General Licensing Fee Regulation (Amended) 1998 (Consolidated), Law No. 4 (Amendment No.1) 2005

The execution of just two reforms so far in PNG may be difficult to comprehend given the claims by the World Bank (2006: p.9) that the ‘cost of reform to ease business entry is minor’ and often ‘done by the stroke of a minister’s pen.’ Arrunada (2007) rightfully warns against underestimating the cost of reforms. Nevertheless, under the first reform on *Enforcing Contracts*, a new specialised commercial court became operational in 2009. It is concerning though that even after that development which the World Bank (2009, p.56) commends as among the ‘most popular reform feature in 2008/09,’ PNG’s *Enforcing Contracts* ranking continues to be in the lowest 10%. The time taken to settle a contractual dispute and its cost remain unchanged—591 days and 110.3% of the claim amount, respectively.¹⁰ This issue clearly needs to be probed as contract enforcement is essential for commercial land use.

The second reform improved PNG’s *Getting Credit* ranking from 135 in 2009/10 to 89 in 2010/11, following the establishment of Credit & Data Bureau Ltd by leading financial institutions in 2008. The company enables its members to obtain information on the credit history of their customers. The success of the company is evident from its increased coverage of 21,600 individuals and 8,900 firms in 2010/11 (World Bank 2010) to 117,598 individuals and 15,793 firms as noted in www.cdb.com.pg on 31 July 2012.

As argued by Krause et al. (2010), non-regulatory impediments are not minor. Scovell (2010) cites the 2007 Private Sector Survey that lists the top 10 impediments as (beginning with the most serious): law and order, corruption, telecom infrastructure, transport infrastructure, stability of regulations, company tax rate, banking services, electricity infrastructure, work permits, and availability of skilled labour. Surveys of private enterprises by the World Bank (2009) in five PICs, excluding PNG,¹¹ uncover an assortment of other impediments including the unfair practices of the informal sector, inadequate skills and political instability. The complaint against unfair competition from the informal sector could hamper the pro-poor objectives of the Pacific Plan and Millennium Development Goals. Its detection by respondents from Tonga—the Pacific’s star Doing Business reformer—as their foremost obstacle, may prompt policymakers to consider enforcing the registration of informal operators. However, a cautious approach is warranted here in light of the significance of informality in the region. In PNG for instance, ‘some 90% of the 2.3 million workers are employed in rural areas’ (UNESCAP 2008) while its National Informal Economy Policy 2011-2015 states that 92% of the population are without access to formal financial institutions (PNG Government 2011).

6. Lessons from Doing Business with Local Governments in Fiji

The most striking finding from Fiji was the absurd plethora of requirements for business licensing, in addition to the standard start-up regulatory approvals from relevant national authorities. Furthermore, the local governments each had their own licensing procedures and application forms, indicating inconsistencies in local regulatory requirements that would be costly especially to existing companies wishing to expand to other parts of the country. Weak inter-regulator and intra-local government linkages continued to prevail while industry representatives were scathing about the lack of policy dialogue with local governments.

¹⁰ The only positive change is the reduction in the number of procedures from 43 to 42 during 2009/10.

¹¹ The participating PICs were FSM, Fiji, Samoa, Tonga and Vanuatu (www.enterprisesurveys.org). Upon the author’s enquiry via email, the World Bank advised on 31 July 2012 that a survey in PNG may be considered in 2013 when their team visits the East Asian region.

The penultimate of the World Bank-listed eight procedures for starting a business in 2010/11 pertains to applying for a business licence from the Suva City Council (SCC). However, the SCC itself had eight requirements for applicants to comply with, though most of them are fulfilled with national authorities and may be irrelevant to some companies. The SCC also announced via media advertisements in late 2011 the addition of six extra requirements for business licence applications to be effective from 01 January 2012 (Table 7). As established with the Lae Urban LLG, complexities were evident from the SCC's 390 licence categories and bands of fees ranging between FJ\$4.61 and FJ\$4,603.50. The paperwork, costs and time for securing approvals from other authorities were affirmed by licensing officials, who also attested that monitoring the growing list of bureaucratic requirements was compounded by their perennial resource constraints. Unsurprisingly then, industry representatives were critical of the increasing transaction costs associated with regulatory compliance.

Table 7: SCC Business Licensing Requirements, 2011 and 2012

<p><u>Existing requirements for 2011</u></p> <ul style="list-style-type: none"> a) Completed SCC application form b) Company registration certificate from the Registrar of Companies c) Foreign investment certificate, if foreign-owned, from Investment Fiji d) Tax registration letter from the Fiji Revenue & Customs Authority e) Health licence, if applicable, from the Ministry of Health f) Names, contacts and photos of Directors g) Landlord's consent letter, if renting h) Processing fees (\$5.50) payable to SCC <p><u>New requirements in addition to those for 2011, effective from 01 January 2012</u></p> <ul style="list-style-type: none"> a) Tobacco licence, if applicable, from the Ministry of Health b) Liquor licence, if required, from the Liquor Licensing Board c) Fire compliance certificate from the National Fire Authority (NFA) d) Occupational health and safety (OHS) certificate from the Department of Labour e) Scrap metal dealer licence, if applicable, from the Ministry of Commerce f) Waste disposal certificate, if applicable, from the Department of Environment <p>Plus two (2) copies of each certificate to be submitted with the application.</p>
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Source: Business Licensing Section, SCC, 2011

7. Conclusion, Policy Implications, Limitations and Further Research

This study has affirmed the high-cost business environment in PNG and as determined in Fiji, the already cumbersome regulatory climate is becoming less business-friendlier. The exclamation by Kaufman (1977: p.1) that 'red tape is everywhere and everywhere it is abhorred' thus holds true for the country and its disentanglement will, as acknowledged by the PNG Government (2009, p.73), 'require consistent Government support.' Should the regulatory environment continue to deteriorate, while long-standing impediments such as with land administration remain neglected, then the government's 2030 target 'for PNG to be among the top 25 per cent of countries in each of the ten criteria' for Doing Business will be impossible to achieve. Similarly, the Vision 2050 strategy that 'opportunities must be created for citizens to start-up businesses and expand existing businesses' will most likely be elusive. The fate of the NLDP objective of 'making our land work' through enterprise growth will regrettably be likewise.

Four policy recommendations therefore emerge from the above discourse:

- a) LLGs, regulators including land administrators, the private sector, researchers and community and women representatives are to collaborate in the review of regulations affecting both the formal and informal sectors, so processes can be streamlined.
- b) Assuming that the registration forms for both national- and local-level regulators are different, the forms are to be standardised and be made publicly available including through appropriate websites of the government and private sector;
- c) LLGs are to be empowered as the ‘one-stop shop’ for business information services, and where appropriate, supported to administer relevant policies;
- d) Mechanisms for effective and representative public-private policy dialogue at the LLG level are to be strengthened to facilitate consultations and consensus for policy development, implementation, evaluation and resource mobilisation.

Although empowered LLGs outside Port Moresby will not contribute towards progressing PNG’s Doing Business indicators, they will enhance the overall quality of the sub-national business environment by offering more than just good regulations. The LLGs will lower transaction costs as they render information services traditionally limited to the capitals.

Reforming *Starting a Business* and *Registering Property* regulations will benefit the economy at large. Approvals for both regulatory areas are essential for land-based investments hence, reforms to ease business formation will be vital for commercial land development so that the aim of the NLDP to ‘make our land work’ through private enterprise growth can be realised.

The major shortcoming of this study has been the secondary data which was collected from a very limited base—Port Moresby alone. This opens an avenue for new research into nation-wide regulations for land-based enterprise growth. Given the high resource requirements of such a proposition, a phased approach would be appropriate for the research, beginning with Morobe Province where the key business city of Lae is located. Possible research questions could relate to the differences in LLG regulations and procedures. Resultant insights will be useful to the NLDP. The government is already moving in that direction as the Development Strategic Plan 2010-2030 includes the pursuit of a sound legal system, well-defined and protected property rights, a transparent and mature property market and, low transaction costs for private businesses. Significantly, the suggested study will help address the dearth of research on the Doing Business performances of small island states in the Pacific.

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