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INVESTMENTS & PARTNERSHIPS — SERIES 2, PAPER 1 | INVESTMENT & PARTNERSHIP OPERATING ENVIRONMENT

GEN Z TAKE

Key Insights, Implications, and Recommended Actions

DOCUMENT TYPE	AUDIENCE	CONTENT CYCLE
Working Brief	Legacy Group Editorial & Advisory Circulation	Series 2 — Cycle 2, Weeks 1–2

Context

Papua New Guinea entered 2026 with the strongest macroeconomic foundation of the post-COVID period and a three-stack investment architecture — public, private, and partnership capital — positioned for productive engagement. Series 2, Paper 1 reads the operating environment through which all three capital stacks operate: the fiscal and monetary foundation, the integrated reform cycle, business confidence and sectoral readings, and the six evidence clusters that together describe an economy institutionally located at a moment of unusual alignment opportunity.

Paper 1 establishes the operating environment within which Papers 2 through 5 of Series 2 sit. Paper 2 reads the public capital stack in detail. Paper 3 reads the private capital stack. Paper 4 reads the partnership capital stack. Paper 5 reads the emerging stacks. The integrating theme from Series 1 — JMP Securities' framing that PNG is 'short of good ideas, not capital' — is the spine through which Paper 1's eight headline readings must be interpreted.

> *The macro foundation is real. The integrated reform package has unlocked the operating environment. The three capital stacks are positioned for productive engagement. But the absorption gap, the project-pipeline depth, and the donor–private sector connection remain binding constraints. Whether the closing fourteen-month window produces measurable alignment across the three stacks is the most consequential single test this Series reads.*

KEY INSIGHTS

1	**PNG entered 2026 with its broadest fiscal and monetary foundation in the post-COVID period** The 2026 National Budget delivered K30.91 billion in expenditure (+9% on 2025), with the deficit narrowing to 1.1% of GDP — the lowest since 2012. Debt-to-GDP fell to 45.5% on a 42% trajectory. The Bank of PNG's kina peg (20 April 2026) has restored foreign-exchange confidence. The first primary surplus since 2011 (+1.4% of GDP) is a generational fiscal achievement.

2	**The market verdict is 'resilient, but not expansionary'** Across the seven primary BCPNG roundtable engagements (BSP, MRDC, JMP Securities, Kramer Ausenco, Austrade, PwC, Nasfund / CJ Valuers), a single phrase converged: resilient, but not expansionary. The Business Confidence Index rebuilt from 44.7 (2024 trough) to 62.5. CEO capital intentions are +20% above the long-run average. But recruitment intentions are −6% below average. Investment continues to be deferred rather than cancelled.

3	**PNG's investment architecture sits on three distinct capital stacks** Public capital: the K7,697 million Public Investment Programme (+277% on 2018); the K20 billion Connect PNG flagship; the wider MTDP IV implementation cycle. Private capital: PNGX, T-bills and government bonds, the three superannuation funds with K23 billion in combined assets, and the FDI cycle. Partnership capital: Australia's AUD 700 million-plus 2025–2026 commitments; the World Bank's USD 250 million AgriConnect Project; ADB's USD 60.9 million water loan and USD 150 million Budget Support Loan; the IMF's USD 338 million combined programmes. The integrated architecture rests on the alignment of all three.

4	**The integrated 2026 reform package has structurally unlocked the operating environment** Forex moved from the #1 business impediment

	in 2023, 2024, and 2025 to #12 in 2026 — the most consequential single change in the operating environment. The PM Amendment Bill 2026 (passed 26 March 2026) provides the Chief Secretary with enforcement powers across all departments. The Trade Defence Bill 2026, the new Income Tax Act 2025, the K1 billion Fuel Stabilisation Package, and the K10 million 2026 Budget AML/CTF allocation together represent the most substantial coordinated reform cycle in PNG's recent history.

5	**A 40% PIP absorption rate is the cleanest single number on the implementation gap** Independent observers converge on a 40–43% historical absorption rate for the Public Investment Programme. The 2026 PIP stands at a record K7,697 million — but if the absorption rate holds, only approximately K3 billion of the K7.7 billion will translate into delivered physical assets. The K4.5 billion PAC anomaly in the K20 billion Connect PNG programme is the most visible symptom. Public capital availability is not the binding constraint. Public capital absorption is.

6	**FDI is moving in resource-sector services; the wider picture remains sectoral and cautious** PwC's Q1 2026 roundtable reported increased activity from foreign companies entering construction and engineering contracts tied to resources compliance. Austrade reported approximately 320 Australian companies registered for the June 2026 business delegation. The Chinese commercial footprint at 1,800 registered companies and USD 1.557 billion ODI is substantial but project-by-project. Whether FDI lands at scale depends on resource-sector FIDs (Papua LNG, Wafi-Golpu) and the Australian commercial commitment cycle.

7	**Partnership capital coordination has improved — but the matrix remains fragmented** The 2024–2029 Australia–PNG Development Partnership Plan, the AgriConnect Project's alignment with MTDP IV agriculture priorities, and the integrated 2026 Budget Volume 1 financing strategy represent more coherent

	partnership architecture than PNG has previously experienced at scale. But Austrade's roundtable flagged that few Australian companies are actively participating in PNG's public investment programs. The gap between donor commitment and private-sector engagement is the partnership-side binding constraint.

8	**The 14-month policy window is the integrating timeline for all three capital stacks** The 30 May 2026 7-Year Government Performance Report; the June 2026 Australian business delegation; the FATF 2026 review point; the EUDR December 2026 deadline; the AGOA December 2026 extension window; the 2027 budget cycle; the AROB 2027 ratified pathway; the K5.25 minimum wage from 1 January 2027; the mid-2027 election. Decisions taken now compound. Decisions deferred will be deferred for at least two further years.

IMPLICATIONS

1	**Capital availability is not the binding constraint — pipeline depth and absorption are** JMP Securities' framing that PNG is 'short of good ideas, not capital' is the most consequential single inheritance from Series 1 into Series 2. The K23 billion combined super fund assets, the K7.7 billion PIP, and the AUD 700 million-plus partnership commitments establish that capital is present. The bankable-project pipeline, the PIP absorption architecture, and institutional capacity to deliver are the constraints.

2	**The forex normalisation and BCI rebuild signal a genuine reset — but not yet expansion** Forex moving from #1 to #12 business impediment is the most consequential single operating-environment change in recent history. The BCI rebuilding from 44.7 to 62.5 confirms the reset is real. But the capital-labour decoupling (capex +20%, recruitment −6%)

	and the ‘investment deferred, not cancelled’ consensus indicate that confidence has not yet converted to deployment at scale.
3	**The FATF 2026 review is an institutional credibility test for the foreign-investor environment** The K10 million 2026 Budget AML/CTF allocation, the RPNGC and FASU funding increases, and the coordinated ICAC investment represent a genuine institutional response to grey-listing risk. Whether the 2026 FATF review produces a positive outcome will materially affect the foreign-investor operating environment, particularly for financial-services-adjacent FDI and PNG’s international correspondent banking architecture.
4	**The donor–private sector disconnect is the most consequential gap in the partnership stack** Austrade’s roundtable finding — that few Australian companies are actively participating in PNG’s public investment programs — is the most operationally important single gap in the partnership capital architecture. The Australian commitment at AUD 700 million-plus for 2025–2026 is substantial. But if the commercial-sector pipeline does not connect to the public investment programme, the partnership capital stack operates as donor programming rather than capital mobilisation.
5	**Decisions deferred now compound into the next political cycle** The mid-2027 election is the hard stop on the current policy window. Public capital absorption improvements, private capital deployment conversions, and partnership capital translations into measurable outcomes must occur within the current 14-month window or be deferred for at least two further years. The 30 May 2026 7-Year Government Performance Report is the first integrating signal of whether the reform cycle can land at delivery.

RECOMMENDED ACTIONS

LEGACY GROUP	Publish a capital stack mapping as companion material to this Series — a plain-language account of where the K23 billion super fund assets, the K7.7 billion PIP, and the AUD 700 million-plus partnership commitments are positioned and what the investable opportunity looks like. This equips readers to assess Papers 2–5 against a common capital baseline.
ADVOCACY	Commission or support independent monitoring of PIP absorption rates through the PM Amendment Bill 2026 framework — tracking the first measurable delivery cycle against the 40% historical baseline. The 30 May 2026 7-Year Government Performance Report is the baseline document; subsequent monitoring should track whether the accountability framework produces improvement.
EDITORIAL	Subsequent papers in this Series should explicitly track each capital stack commitment — PIP projects, super fund deployment, bilateral aid, FDI approvals — against the MTDP IV architecture and the three-lens framework established in Paper 1. The alignment architecture lens is the integrating tool.
ENGAGEMENT	Invite BCPNG roundtable participants — particularly JMP Securities, Austrade, and PwC — to respond publicly to the specific market readings documented in Paper 1. Their analysis of the 'resilient, but not expansionary' consensus and the donor–private sector gap would deepen the deliberative record and create accountability around the June 2026 business delegation.
YOUTH OUTREACH	Use the Gen Z companion document produced alongside this brief to bring Paper 1's core arguments — PNG's three capital stacks, the 40% absorption gap, the 14-month window — to undergraduate and secondary audiences, Wantok FM programming, and social media formats. The capital literacy gap is a generational issue.