Legacy Group Ltd

Ideas. Solutions. Growth.

Connecting Technology, Markets, Governments and International Relations

INVESTMENTS & PARTNERSHIPS — SERIES 2, PAPER 1 | SPOTLIGHT 1 OF 2

PNG'S THREE CAPITAL STACKS

Where is the money? What is it doing? And what's stopping it from landing?

Papua New Guinea's investment architecture rests on three distinct capital stacks. Each is substantial. Each is real. But together they are not yet producing the alignment that the country's closing 14-month policy window requires. This is a snapshot of where the capital is — and what it will take to move it.

> *"PNG is short of good ideas, not capital." — JMP Securities, BCPNG Roundtable Q1 2026*

THE THREE CAPITAL STACKS

01 PUBLIC CAPITAL

Government Investment Programme

- K7,697 million — 2026 Public Investment Programme (record scale; +277% from 2018)
- K20 billion — Connect PNG flagship infrastructure programme
- K11 billion — National Education Upgrade
- MTDP IV implementation cycle: agriculture, energy, transport, health
- SOE dividend reform and IRC/Customs receipts as complementary public financing

The public capital is there. The absorption architecture is the constraint.

02 PRIVATE CAPITAL

Domestic & Foreign Investment Cycle

- K23 billion combined assets — three superannuation funds (NasFund, POMGEN, CTSL)
- PNGX listed companies — 5.69% average dividend yield
- AUD 25 billion Australian investment stock in PNG
- 1,800 Chinese-registered companies; USD 1.557 billion Chinese ODI
- ~320 Australian companies in June 2026 business delegation
- FDI bullish in resource-sector services; cautious across wider economy

The capital is domestic and offshore. The bankable project pipeline is the constraint.

03 PARTNERSHIP CAPITAL

Aid, Donor & Geopolitical Cycle

- Australia: AUD 700 million+ for 2025–2026
- World Bank: USD 250 million AgriConnect Project
- ADB: USD 60.9 million water loan + USD 150 million Budget Support Loan
- IMF: USD 338 million combined Extended Credit / Extended Fund Facility
- EU-STREIT PNG programme
- Japanese ODA-OSA; Korean and Indian sectoral engagements

Donor commitment is real and improving. Private-sector connection is the gap.

THE ALIGNMENT ARCHITECTURE

Where the Three Stacks Meet

- 2024–2029 Australia–PNG Development Partnership Plan
- AgriConnect alignment with MTDP IV agriculture priorities
- 2026 Budget Volume 1 integrated financing strategy
- PM Amendment Bill 2026 — implementation accountability framework
- FATF compliance — institutional credibility test for FDI environment
- Connect PNG Trust Fund legalisation — highest-leverage governance reform

Where the three stacks meet is where the operating environment is tested.

THE NUMBERS THAT DEFINE THE MOMENT

K30.91bn 2026 Budget	Total expenditure — the largest in PNG's history. +9% on 2025. Deficit at 1.1% of GDP, the lowest since 2012. The first primary surplus since 2011 (+1.4% of GDP).
45.5% Debt-to-GDP	Down from 48.4% in 2025. Trajectory of 42% by 2027 — among the lowest in the Asia-Pacific region. The fiscal anchor is credible.
~40% PIP Absorption	Historical absorption rate for the Public Investment Programme. Of the K7.7 billion PIP, approximately K3 billion translates into delivered assets. Public capital absorption — not availability — is the binding constraint.
K23bn Super Fund Assets	Combined assets of PNG's three superannuation funds. A domestic capital base of scale. 12–13% crediting rates achieved in 2025. The question: does it deploy into bankable PNG projects?
#12 Forex Rank 2026	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.
62.5 Business Confidence	Business Confidence Index 2026 — rebuilt from 44.7 at the 2024 trough. CEO capital intentions +20% above long-run average. Resilient, but not yet expansionary.

WHAT TO WATCH

WATCH: RESOURCE-SECTOR FIDs

Final Investment Decisions

› Papua LNG — Final Investment Decision pending
› Wafi-Golpu — Final Investment Decision pending
› Porgera ramping and compliance procurement cycle
› Whether FDI converts from cautious to deployed depends on these decisions
› PwC: construction and engineering clients already ramping compliance for upcoming contracts

WATCH: THE JUNE 2026 DELEGATION

Australian Business Delegation

› ~320 Australian companies registered across Sydney, Brisbane, Melbourne
› Austrade: few Australian companies currently in PNG public investment programs
› The test: does commercial interest convert to procurement participation?
› The donor–private sector bridge is the partnership-side priority
› This delegation is the live conversion test

The integrated 2026 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.

Legacy Group Ltd

Ideas. Solutions. Growth.

Connecting Technology, Markets, Governments and International Relations

INVESTMENTS & PARTNERSHIPS — SERIES 2, PAPER 1 | SPOTLIGHT 2 OF 2

THE 14-MONTH WINDOW

The reform cycle is in place. The capital is available. What happens next is the test.

PNG's investment-and-partnership architecture is institutionally located at a moment of unusual alignment opportunity. The macro foundation is real. The reform cycle is the most substantial in PNG's recent history. Business confidence has rebuilt. But the conversion from confidence to deployment — and from reform legislation to delivery — has not yet occurred. The 14-month policy window before the 2027 election is where it must.

BUSINESS CONFIDENCE: REBUILT BUT NOT YET DEPLOYED

62.5 BCI 2026	Rebuilt from 44.7 in the 2024 trough. The recovery is real — but the market reads the environment as resilient, not expansionary.
+20% CEO Capex Intent	CEO Survey capital intentions are +20% above the long-run average. Capex budgets remain largely flat year-on-year. The intention is present. The conversion is pending.
−6% Recruitment Intent	CEO Survey recruitment intentions are 6% below the long-run average. The capital-labour decoupling that Series 1 Pattern 1 documented continues. Investment is deferred, not cancelled.
3–8% Mfg. Sales Growth	PwC Q1 2026 roundtable: manufacturing client sales growth against rising cost of sales and a high-cost operating environment. Headcount flat. Capex flat.

> *"Investment continues to be deferred rather than cancelled." — MRDC, BCPNG Roundtable Q1 2026 | Seven roundtable participants. One consensus.*

THE INTEGRATED REFORM CYCLE

Six structural reforms are operating simultaneously — the most coordinated regulatory architecture in PNG's recent history. Whether they land in implementation, not just legislation, is the test.

REFORM	STATUS & OPERATIONAL TEST
PM Amendment Bill 2026	Passed 26 March 2026. Chief Secretary enforcement powers across all departments. First public test: 30 May 2026 7-Year Government Performance Report.
Income Tax Act 2025	Effective 1 January 2026. Updated corporate, personal, and resource-sector tax architecture. Parliamentary clarification expected — a residual operating uncertainty.
Trade Defence Bill 2026	Passed 26 March 2026. Anti-dumping and safeguards framework. First applications expected Q3 2026 — enforcement capacity is the operational test.
FATF Compliance	K10 million 2026 Budget AML/CTF allocation. RPNGC, FASU, ICAC funding increases coordinated. The 2026 FATF review point is the institutional credibility test.
Customary Land Reform Bill	Special Parliamentary Committee inquiry concluded. Bill expected Q1 2027. Customary Land Authority architecture to follow.
Connect PNG Trust Fund Legalisation	On the integrated diagnostic record: the single highest-leverage governance reform available in the remaining months of the 12th Parliament. The K4.5 billion PAC anomaly is the structural prompt.

THE 14-MONTH WINDOW: KEY DATES

2026 MILESTONES

The Immediate Tests

› 30 May 2026 — 7-Year Government Performance Report (first KPI delivery test)
› June 2026 — Australian business delegation (~320 companies, three cities)
› 2026 — FATF review point (institutional credibility test)
› December 2026 — EUDR compliance deadline
› December 2026 — AGOA extension window
› Late 2026 / 2027 — Papua LNG and Wafi-Golpu FID cycle

2027 MILESTONES

The Hard Stop

› 1 January 2027 — K5.25 minimum wage comes into effect
› 2027 Budget cycle — does reform produce fiscal headroom?
› Q1 2027 — Customary Land Reform Bill enactment expected
› 2027 — AROB ratified pathway (Bougainville)
› Mid-2027 — Election horizon (hard stop on current policy window)

Decisions taken now compound. Decisions deferred will be deferred for at least two further years.

THE FOUR MOST CONSEQUENTIAL WATCH ITEMS

THE REFORM DELIVERY TEST

Does legislation become delivery?

› Does the 30 May 7-Year Government Performance Report contain specific, measurable, agency-level KPIs?

› If yes: the reform cycle has a delivery architecture

› If no: legislation is in place but accountability architecture is absent

› This is the first integrating signal for the entire investment-and-partnership operating environment

THE CUSHIONING UNWIND TEST

Sequencing the macro safety net

› Fuel Stabilisation Package runs through September 2026

› Zero-rated GST on 13 essential goods runs through end-2026

› Kina peg announced 20 April 2026

› Premature unwinding risks macroeconomic destabilisation

› Over-extension of subsidy risks fiscal strain

› Sequencing through the 2027 budget cycle is the operating test

THE DONOR-COMMERCIAL BRIDGE

Partnership to procurement

› Australia's AUD 700 million+ commitment is real

› But few Australian companies participate in PNG's public investment programs

› The June 2026 business delegation is the live conversion test

› Whether donor commitment translates into commercial procurement is the partnership-side test of this Series

THE ABSORPTION GAP

Public capital delivery

› K7.7 billion PIP at record scale

› Historical absorption: ~40% (approximately K3 billion delivered)

› K4.5 billion PAC anomaly in Connect PNG is the most visible symptom

› Connect PNG Trust Fund legalisation is the highest-leverage structural response

› PM Amendment Bill 2026 implementation framework is the governance response

---

The 2026 operating environment is the strongest PNG has entered in the post-COVID period. Whether it produces measurable development outcomes — or another cycle of misaligned opportunity — is what Papers 2 to 5 of this Series read in detail.